



JUNE 30, 1978

**PUBLIC EMPLOYEES'
RETIREMENT SYSTEM**

**TEACHERS'
RETIREMENT SYSTEM**

STATE OF ALASKA

JAY S. HAMMOND
GOVERNOR

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT FUND
TEACHERS' RETIREMENT FUND
Fiscal Year 1978

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STATE OF ALASKA

RETIREMENT FUND Introduction

GENERAL COMMENTS

The information presented in this report shows the results of operations and the financial condition of the two retirement funds for the fiscal year ending June 30, 1978.

The assets accumulated by these funds are used to provide retirement benefits for the members of the Public Employees' Retirement System and the Teachers' Retirement System.

Assets of the Public Employees' Retirement Fund total \$246,662,043 as of June 30, 1978, an increase of \$55,707,471 over the preceding fiscal year. Assets of the Teachers' Retirement Fund amount to \$215,370,551 as of June 30, 1978, an increase of \$38,025,084 over the preceding fiscal year. The combined assets of both funds total \$462,032,594.

Both the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) are joint contributory systems with defined contributions and benefits. In PERS, peace officers and firemen contribute 5 percent and all other members contribute 4.25 percent of gross pay. Employer contribution rates in FY 1978 averaged 10.59 percent of gross pay in comparison with 10.35 percent in FY 1977 and with 11.08 percent in the coming FY 1979. Under TRS, members contribute 7 percent of base salary. The combined TRS employer and State Matching Contributions for fiscal year 1978 amounted to 13.40 percent of gross pay.

As of June 30, 1978 there were 71 participating employers and approximately 16,930 active members in the PERS. There were 59 participating employers and approximately 7,020 active members in the TRS.

During FY 1978, interest at the rate 4 1/2 percent per annum was credited to TRS employees' accounts. This interest totaled \$2,990,531 as compared with the \$2,492,824 credited the year before. Members of the PERS earned interest at the rate of 2 1/4 percent compounded semiannually for a total of \$2,368,971 compared with \$1,860,874 credited during the previous fiscal year.

On June 30, 1978 there were 1,847 persons receiving retirement benefits under the PERS as compared with 1,672 a year earlier and 974 persons receiving retirement benefits under the TRS as compared with 852 a year ago. This represents an increase of 10 percent for PERS recipients and 14 percent for TRS recipients.

During the fiscal year ending June 30, 1978, retirement benefits in the amount of \$11,005,738 were paid to PERS recipients, an increase of 45 percent above the \$7,607,162 paid out a year earlier. Fiscal year 1978 retirement benefits for TRS recipients were \$11,025,589, an increase of 35 percent over the \$8,161,421 paid the year before.

The average annual benefit received by PERS retirees was approximately \$5,959, whereas the average amount received by TRS retirees was approximately \$11,320. Similar averages for fiscal year 1977 were \$4,550 for PERS and \$9,579 for TRS.

STATE OF ALASKA

INVESTMENT COMMENTS

Throughout most of the first half of fiscal year 1978, the bond market and long term interest rates fluctuated within a narrow range even though the Federal Reserve Bank's tightening moves forced short term rates irregularly higher. However, during the next six months bond prices began to fall decisively as the Fed's restrictive credit actions began to have more impact. These tightening steps were taken because of the heightened concerns over accelerating inflationary pressures amid a strong outburst of economic activity. The monetary authorities were also disturbed by strong growth in credit demands by both consumers and business, the falling value of the dollar on foreign exchange markets, and by indications of excessive monetary growth.

The Treasury Division's investment strategy this year has been to maintain a defensive yet flexible approach which minimized price erosion while the Fed tightened credit. This strategy has resulted in increased holdings of short term instruments with the continuing expectation of still higher interest rates in the future.

Emphasis was again placed on investments in Alaska mortgages. A total of \$59,600,000 was invested in mortgages for the two retirement systems. Scheduled repayments and prepayments amounted to \$17,600,000 for a net increase of \$42,000,000 in the mortgage portfolios. Rates received on new purchases ranged from 9-5/8 per cent to 10-3/4 per cent. The average yield received on the portfolios amounted to 9.04 per cent.

RATES OF RETURN

The Treasury Division evaluates investment results using performance measurement techniques developed by the Bank Administration Institute. One of these measurements, the time weighted rate of return, computes the total return on securities as measured by price change plus accrued interest each month and combines the twelve monthly averages for an annual return. This time weighted rate of return is used to gauge the performance of Alaska's retirement funds in relationship to other funds similarly measured.

In calendar year 1978, the Public Employees' and Teachers' Retirement Funds achieved a time weighted return of 3.05 per cent and 3.03 per cent, respectively. These results reflect a decline in the market values of both the fixed income and common stock segments of each portfolio.

The following tables display the returns achieved on the various portions of each of the two Statewide retirement funds as well as the comparable returns of the median and top quarter of the population of funds measured by Merrill Lynch Investment Performance Analysis.

STATE OF ALASKA

	<u>% Composition of Portfolio</u>	<u>Public Employees' Retirement Fund</u> <u>Time Weighted Percentage Rates of Return</u>		
		<u>Income</u>	<u>Appreciation</u>	<u>Total</u>
Fixed Income	94	8.39	-4.80	3.58
Common Stock	6	4.12	-5.49	-1.37
Total Fund	100	8.05	-5.01	3.05

	<u>% Composition of Portfolio</u>	<u>Teachers' Retirement Fund</u> <u>Time Weighted Percentage Rates of Return</u>		
		<u>Income</u>	<u>Appreciation</u>	<u>Total</u>
Fixed Income	93	8.55	-4.82	3.73
Common Stock	7	4.12	-4.52	-0.41
Total Fund	100	8.09	-5.06	3.03

Comparative Performance from Merrill Lynch Population

	<u>% Composition of Portfolio</u>	<u>Top 25% Fund</u>	<u>Median Fund</u>
Fixed Income	53.0	2.6	1.5
Common Stock	47.0	3.9	2.0
Total Fund	100.0	3.5	2.0

The important differences between time weighted return calculations and the more traditional approach called realized income or accounting income method is that the time weighted return calculation includes gains or losses in market value as well as an adjustment for cash flows.

The accounting or realized income approach recognizes gains or losses only at the time coupons are paid or securities are sold or mature. This method is used to calculate the net income reported on the funds operating statement.

STATE OF ALASKA
RETIREMENT FUNDS
Combined Balance Sheet
June 30, 1978

<u>ASSETS</u>	<u>Total</u>	<u>Public Employees' Retirement Fund</u>	<u>Teachers' Retirement Fund</u>
Cash	\$ 590,637	\$ 301,497	\$ 289,140
Certificate of Deposit & Other Short Term Debt Issues	\$ 66,238,724	\$ 34,437,784	\$ 31,800,940
Bond and Debentures:			
United State Government	\$131,707,576	\$ 72,152,105	\$ 59,555,471
Other	54,118,400	30,469,495	23,648,905
Common Stock Account	31,424,411	15,444,212	15,980,199
Real Estate Mortgages & SBA in Alaska	<u>\$177,952,846</u>	<u>\$ 93,856,950</u>	<u>\$ 84,095,896</u>
Total Current Assets	<u>\$462,032,594</u>	<u>\$246,662,043</u>	<u>\$215,370,551</u>
EQUITIES AND RESERVE			
Equities:			
Employees' Equities	\$142,629,296	\$ 57,715,175	\$ 84,914,121
Employers' Equities	<u>\$160,070,347</u>	<u>\$140,558,410</u>	<u>\$ 19,511,937</u>
Total Equities	<u>\$302,699,643</u>	<u>\$198,273,585</u>	<u>\$104,426,058</u>
Retirement Reserve	<u>\$159,332,951</u>	<u>\$ 48,388,458</u>	<u>\$110,944,493</u>
Total Equities & Reserve	<u>\$462,032,594</u>	<u>\$246,662,043</u>	<u>\$215,370,551</u>

STATE OF ALASKA

RETIREMENT FUNDS
 Combined Statement of Operations
 For Fiscal Year Ended June 30, 1978

	<u>Total</u>	<u>Public Employees'</u> <u>Retirement Fund</u>	<u>Teachers'</u> <u>Retirement Fund</u>
Beginning Equities and Reserve July 1, 1977	\$368,300,039	\$190,954,572	\$177,345,467
Additions:			
Employers' Contributions	58,528,424	38,735,575	19,792,849
Employees' Contributions	31,686,916	16,176,433	15,510,483
Interest Earned on Indebtedness	777,979	144,040	633,939
Net Investment Income	<u>32,663,846</u>	<u>16,612,594</u>	<u>16,051,252</u>
Total Additions	<u>\$123,657,165</u>	<u>\$ 71,668,642</u>	<u>\$ 51,988,523</u>
Beginning Balances and Additions	<u>\$491,957,204</u>	<u>\$262,623,214</u>	<u>\$229,333,990</u>
Deductions:			
Administrative Expenses	\$ 1,228,315	\$ 609,841	\$ 618,474
Employees' Contributions and Interest Refunded	6,664,968	4,345,592	2,319,376
Retirement Benefits Paid	<u>22,031,327</u>	<u>11,005,738</u>	<u>11,025,589</u>
Total Deductions	<u>\$ 29,924,610</u>	<u>\$ 15,961,171</u>	<u>\$ 13,963,439</u>
Ending Equities and Reserve June 30, 1978	<u>\$462,032,594</u>	<u>\$246,662,043</u>	<u>\$215,370,551</u>

STATE OF ALASKA

PUBLIC EMPLOYEES'
RETIREMENT
FUND

BOARD MEMBERS

<u>Name</u>	<u>Term Expires</u>
C. R. "Steve" Hafling, Chairman	July 20, 1984
Robert L. Anderson	December 14, 1978
Ronald M. Henry	June 20, 1982
Morgan W. Reed	June 20, 1980
James P. Wellington	October 26, 1983

ARTHUR ANDERSEN & Co.

SEATTLE, WASHINGTON

AUDITORS' REPORT

To the Director of the Division
of Retirements and Benefits-
State of Alaska Public Employees'
Retirement System:

We have examined the statement of assets and fund balance arising from cash transactions of the State of Alaska Public Employees' Retirement System as of June 30, 1978, and the related statement of changes in fund balance arising from cash transactions for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accompanying financial statements and exhibit have been prepared on a basis of cash receipts and disbursements as described in Note 1. Consequently, the financial statements and exhibit do not include certain assets, liabilities, revenue and expenses. Accordingly, the accompanying financial statements are not intended to present financial position and changes in fund balance in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statements present the assets and fund balance arising from cash transactions of the State of Alaska Public Employees' Retirement System as of June 30, 1978, and the changes in fund balance arising from cash transactions for the year ended June 30, 1978, on the basis indicated in the preceeding paragraph applied on a basis consistent with the prior year.

Our examination has been made primarily for the purpose of forming an opinion stated in the preceding paragraph. The data contained in Exhibit 1, although not considered necessary for a fair presentation of the assets and fund balance arising from cash transactions and changes therein, are presented as supplementary information and has been subjected to audit procedures applied in the examination of the basic financial statements. In our opinion, this exhibit, when considered in relation to the basic financial statements, presents fairly, in all material respects, the information shown therein on the cash basis of accounting.

Arthur Andersen & Co.

Seattle, Washington,

October 3, 1978.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF ASSETS AND FUND BALANCE
ARISING FROM CASH TRANSACTIONS

AS OF JUNE 30, 1978

CASH	\$ 301,497
CERTIFICATES OF DEPOSIT AND OTHER SHORT-TERM INVESTMENTS	34,437,784
BONDS, NOTES AND DEBENTURES:	
United States Government Securities, at cost	72,152,105
(market- \$68,018,697)	30,469,495
Other, at cost (market- \$28,812,753)	15,444,212
COMMON STOCK, at cost (market- \$16,126,607)	93,856,950
REAL ESTATE MORTGAGES AND SMALL BUSINESS ADMINISTRATION LOANS IN ALASKA	----- \$246,662,043 =====
FUND BALANCE	\$246,662,043 =====

The accompanying notes and exhibit are
an integral part of this statement.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FUND BALANCE
ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED JUNE 30, 1978

BALANCE AT JUNE 30, 1977	\$190,954,572

CASH TRANSACTIONS RESULTING IN ADDITIONS:	
Employee contributions	16,176,433
Employer contributions	38,735,575
Investment income	16,612,594
Interest on members' indebtedness	144,040

	71,668,642

CASH TRANSACTIONS RESULTING IN DEDUCTIONS:	
Retirement benefits paid	11,005,738
Refunds to terminated members	4,345,592
Administrative expenses	609,841

	15,961,171

BALANCE AT JUNE 30, 1978	\$246,662,043
	=====

The accompanying notes and exhibit are
an integral part of this statement.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 1978

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The System maintains its accounting records, and its financial statements are prepared, on a cash basis of accounting.

Contributions, investment and other interest income, retirement benefits, refunds to terminated members and administrative expenses are recorded when cash is received or disbursed.

Investments are stated at cost. Unrealized losses are not recognized on bonds and debentures for the excess of cost over market, as management intends to hold these investments until maturity. Investment income consists of interest, dividends and gains or losses generated by the sale of investments. Discounts or premiums on investments owned by the System are amortized over the term of the investments.

(2) DESCRIPTION OF THE SYSTEM:

The State of Alaska Public Employees' Retirement System, established January 1, 1961, is a contributory pension system covering substantially all full-time employees of the State of Alaska. In addition, employees of participating political subdivisions are included in the System. A separate retirement system covers teachers. Elected officials may participate in the System at their option.

The Commissioner of Administration is responsible for overall administration of the System. The Commissioner of Revenue is the Treasurer of the System and is responsible for providing accountability and management of the System's cash and investments.

Peace officers and firemen contribute 5% of gross pay to the System; other members contribute 4-1/4%. Members earn interest on their contributions at the rate of 4-1/2%, credited semi-annually. Employers contribute at actuarially determined rates which are estimated to be sufficient to annually fund current service costs and fund past service costs over 40 years.

Peace officers and firemen are entitled to full retirement benefits upon completion of 20 years of service or at age 55 with 5 years of service. Other participants may retire at age 55 with at least five years of service or at any age with at least 30 years of service. All members of the System may take early retirement as defined in the System with reduced benefits. Upon termination, member contributions are refundable with accrued interest. All retirees receive a minimum monthly benefit of \$17.50 for each year of credited service.

In addition to normal retirement benefits, the System provides disability retirement benefits. Occupational related disability benefits cover all participants regardless of time in membership service and provide pension benefits equal to 40% of the participants salary immediately prior to the disability. Non-occupational related disability benefits only cover participants with 5 or more years of membership service and the monthly benefit is computed the same way as normal retirement benefits are computed.

Comprehensive medical insurance is also provided by the System to all members appointed to retirement and their dependents. Coverage is automatic and continuous and is provided at no cost to the retired members.

(3) ACTUARIAL DETERMINATIONS:

The System's consulting actuaries, William M. Mercer, Incorporated, estimated the present value of accrued benefits to be \$246,982,000.

Contributions to the System are based upon recommendations from the actuaries. These contributions include the amortization of the liability for past service cost over 40 years.

Significant assumptions underlying the December 31, 1976 determinations are as follows:

Actuarial Cost Method	- Attained Age Normal, unfunded accrued benefit liability amortized over 35 years.
Mortality Basis	- 1951 Group Annuity Mortality Table with Projection "C" to 1965.
Retirement Age	- Earlier of age 55 or 20 years of service for police and firemen; age 55 or 30 years of service for all others.
Interest Rate	- 5% per annum, compounded annually, net of investment expenses.

- | | |
|----------------------|---|
| Salary Scale | - 5% per annum, compounded annually. |
| Contribution Refunds | - 90% of terminating employees will take refunds of contributions;
10% of terminating employees will receive deferred vested benefits. |
| Asset Valuation | - Book value. |

Turnover and disability assumptions are based upon actual historical occurrence rates for the System.

During the year under audit, the Public Employees' Retirement System's Board approved the following changes in actuarial assumptions which will be reflected in the December 31, 1977 actuary's valuation report:

- | | |
|----------------------|---|
| Mortality Basis | - 1971 Group Annuity Mortality Table. |
| Interest Rate | - 6% per annum, compounded annually. |
| Salary Scale | - 6% per annum, compounded annually to age 39; 5% thereafter. |
| Contribution Refunds | - 89% of terminating employees with between 5 and 10 years of service will receive deferred vested benefits; all others will receive a refund of contributions. |
| Asset Valuation | - Adjusted market basis using the three year average relationship between market and book values. |
| Retirement Age | - Average of age 60 and the earliest age for which a member would be eligible for normal retirement benefits. |

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD AT
JUNE 30, 1978

	<u>Maturity Date</u>	<u>Cost</u>	<u>Interest Rate</u>
CERTIFICATES OF DEPOSIT AND OTHER SHORT-TERM INVESTMENTS:			
Arctic First Federal Savings and Loan	02/15/79	\$ 150,000.00	7.500
Arctic First Federal Savings and Loan	02/15/80	100,000.00	7.500
First Federal Savings and Loan	07/10/78	100,000.00	7.500
Security Pacific National Bank CD	12/29/78	8,000,000.00	8.500
Rainier National Bank Repo	07/03/78	3,500,000.00	7.500
Bankers Trust Company	07/14/78	7,942,600.00	7.380
Crocker National Bank	07/31/78	1,967,245.56	7.190
Bank of America	08/15/78	5,899,413.34	7.360
General Motors Acceptance Corp.	07/05/78	1,457,000.00	7.125
Mountain State Telephone and Telegraph	07/12/78	1,068,370.83	7.400
Sears Roebuck	07/13/78	941,000.00	7.500
Ford Motor Credit Corp	07/21/78	907,000.00	7.550
Manufacturers' Hanover	09/25/78	997,975.70	7.180
NBA Repurchase Agreement	07/05/78	380,000.00	6.750
Wells Fargo	12/11/78	1,000,000.00	8.080
Bank of California- savings account	-	18,287.00	5.000
National Bank of Alaska- savings account	-	8,891.00	5.000

Total certificates of deposit and short- term investments		\$34,437,783.43	=====

STATE OF ALASKA

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD (CONTINUED)

JUNE 30, 1978

Interest Rate		Maturity Date	Par Value	Cost	Market Value	Net Yield
UNITED STATES GOVERNMENT SECURITIES:						
U.S. Treasury Notes and Bonds-						
6.000		03/31/79	\$ 1,000,000	\$ 1,000,625.00	\$ 983,750.00	5.990
7.125		12/31/79	6,000,000	5,986,171.88	5,887,500.00	7.140
6.500		02/15/80	1,000,000	996,780.00	970,310.00	6.520
7.375		02/15/81	1,000,000	1,027,343.75	970,800.00	7.170
7.375		05/15/81	1,000,000	1,016,875.00	970,938.00	7.253
7.625		08/15/81	1,000,000	1,035,937.50	975,000.00	7.360
7.000		05/15/82	1,000,000	1,001,718.75	951,250.00	6.987
7.125		11/15/82	2,500,000	2,492,700.00	2,373,438.00	7.146
7.875		11/15/82	2,000,000	1,996,724.00	1,953,125.00	7.888
7.250		02/15/84	7,000,000	7,014,375.00	6,593,125.00	7.235
7.875		02/15/00	5,500,000	5,634,270.48	5,077,187.00	7.687
8.375		08/15/00	4,000,000	3,963,200.00	3,885,000.00	8.453
7.625		02/15/07	1,000,000	977,500.00	893,750.00	7.800
7.875		11/15/07	6,000,000	5,968,470.00	5,523,750.00	7.917
7.250		06/15/82	500,000	496,562.50	476,315.00	7.300
Total U.S. Treasury Notes and Bonds				\$40,609,253.86	\$38,485,238.00	
U.S. Agencies-						
8.800		10/21/85	3,750,000	\$ 3,784,252.23	\$ 3,750,000.00	8.672
9.350		12/15/00	750,000	811,875.00	762,188.00	8.637
8.125		03/15/07	1,353,000	1,347,503.44	1,273,511.00	8.158
Total U.S. Agencies				\$ 5,943,630.67	\$ 5,785,699.00	

STATE OF ALASKA

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD (CONTINUED)

JUNE 30, 1978

		Interest Rate	Maturity Date	Par Value	Cost	Market Value	Net Yield
UNITED STATES GOVERNMENT (Continued):							
GNMA Mortgage Backed Securities-							
Pool #16377		7.500	04/15/07	\$	\$	\$	
17206		7.500	05/15/07	959,782.19	921,090.99	848,208.00	7.815
6121		8.000	08/15/05	972,452.14	932,946.14	859,405.00	7.818
10039		8.000	06/15/06	731,776.64	712,796.16	669,576.00	8.213
19074		8.000	08/15/07	836,438.03	808,208.23	765,341.00	8.279
18426		8.000	09/15/07	1,004,140.98	996,609.92	918,789.00	8.060
19936		8.000	09/15/07	972,434.02	965,140.76	889,777.00	8.060
20926		8.000	09/15/07	979,152.32	967,830.86	895,924.00	8.094
18983		8.000	10/15/07	1,015,796.77	1,008,178.30	929,454.00	8.060
19595		8.000	10/15/07	1,013,584.60	1,001,865.03	927,430.00	8.094
20341		8.000	10/15/07	1,002,654.94	991,061.19	917,429.00	8.094
4261		8.500	09/15/04	1,014,885.60	1,003,150.83	928,620.00	8.094
4347		8.500	09/15/04	886,671.84	898,309.39	841,784.00	8.389
7460		8.500	10/15/05	73,785.53	75,676.28	70,050.00	8.288
7723		8.500	11/15/05	414,113.77	418,772.57	393,149.00	8.405
6764		8.500	12/15/05	428,230.61	433,048.21	406,551.00	8.405
7559		8.500	12/15/05	426,466.88	437,928.17	404,877.00	8.278
5105		8.500	01/15/06	763,155.49	782,711.36	724,521.00	8.288
7732		8.500	01/15/06	87,976.00	90,230.38	83,522.00	8.288
7760		8.500	01/15/06	827,030.38	851,841.29	785,162.00	8.252
6148		8.500	02/15/06	720,912.67	739,386.05	684,416.00	8.288
7474		8.500	02/15/06	986,750.56	1,013,886.19	936,796.00	8.273
8017		8.500	03/15/06	753,766.46	773,081.74	715,607.00	8.288
8434		8.500	03/15/06	454,168.39	458,142.36	431,176.00	8.426
8817		8.500	03/15/06	821,096.84	843,163.81	779,529.00	8.278
10056		8.500	04/15/06	391,283.10	396,663.27	371,474.00	8.385
10404		8.500	04/15/06	449,170.34	453,100.57	426,431.00	8.426
10738		8.500	05/15/06	390,797.48	411,802.84	371,013.00	8.066
11294		8.500	05/15/06	989,645.08	1,010,984.30	939,544.00	8.321
5554		8.500	02/15/07	786,668.12	795,026.47	746,843.00	8.410
16900		8.500	02/15/07	1,654,462.64	1,696,858.25	1,570,705.00	8.288
17046		8.500	03/15/07	438,199.04	448,058.50	416,015.00	8.313
				2,210,551.00	2,261,670.00	2,098,642.00	8.308
Total GNMA mortgage backed securities				\$25,458,000.45	\$25,599,220.41	\$23,747,760.00	
Total United States Government notes and bonds				\$72,152,104.94		\$68,018,697.00	

STATE OF ALASKA

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD (CONTINUED)

JUNE 30, 1978

	Interest Rate	Maturity Date	Par Value	Cost	Market Value	Net Yield
OTHER BONDS, NOTES AND DEBENTURES:						
Corporate Notes and Bonds-						
California Federal Savings and Loan	7.375	10/01/82	\$ 2,000,000.00	\$ 1,990,000.00	\$ 1,902,040.00	7.412
Pacific Gas & Electric Co., 1st Ref. Mortgage Series 75A	9.500	06/01/85	1,250,000.00	1,243,750.00	1,286,838.00	9.547
Montgomery Ward Credit Corp	9.250	11/15/90	1,000,000.00	1,072,500.00	1,012,500.00	8.625
Montgomery Ward Credit Corp	9.600	02/01/95	1,250,000.00	1,261,875.00	1,268,750.00	9.510
Penney, J.C. Inc.	9.875	07/15/95	1,000,000.00	988,590.00	985,000.00	8.977
Pfizer, Inc.	8.500	04/15/99	500,000.00	470,125.00	485,000.00	9.040
General Motors Acceptance Corp.	8.750	02/01/00	1,500,000.00	1,593,750.00	1,443,750.00	8.235
Pfizer, Inc.	9.250	08/15/00	500,000.00	493,750.00	515,000.00	9.367
Ashland Oil, Inc.	10.000	09/01/00	500,000.00	500,000.00	525,000.00	10.000
Exxon Corp.	8.250	03/01/01	1,000,000.00	1,027,500.00	960,000.00	8.029
Mobil Corp.	8.500	06/15/01	1,500,000.00	1,515,000.00	1,438,125.00	8.416
General Electric	8.500	05/01/04	2,000,000.00	2,115,000.00	1,970,000.00	8.038
Texas Electric Service Co.	8.875	06/01/05	1,000,000.00	1,012,830.00	1,002,550.00	9.763
Sears Roebuck & Co.	8.000	04/01/06	1,000,000.00	987,500.00	920,000.00	8.101
Texas Power & Light	8.250	02/01/07	1,000,000.00	996,250.00	922,440.00	8.281
Bankamerica Corp	8.350	05/15/07	1,000,000.00	992,500.00	948,750.00	8.413
Commonwealth Edison Co., 1st Mtg. Bonds, Series 36	8.125	06/01/07	1,000,000.00	981,250.00	901,250.00	8.280
Standard Oil Co. of Indiana	7.875	08/01/07	1,000,000.00	978,750.00	906,250.00	8.046
Duke Power Co.	8.125	09/01/07	1,000,000.00	968,750.00	882,500.00	8.387
Province of Ontario	8.375	09/15/07	1,500,000.00	1,500,000.00	1,362,675.00	8.375
Central Power & Light	8.250	10/01/07	1,500,000.00	1,485,000.00	1,361,835.00	8.333
Aetna Life & Casualty Co.	8.125	10/15/07	1,000,000.00	991,250.00	910,000.00	8.197
Illinois Power Co.	8.250	11/01/07	1,000,000.00	990,000.00	900,000.00	8.333
Michigan Bell Telephone	9.600	10/01/08	1,000,000.00	1,122,500.00	1,043,750.00	8.552
South Central Bell Telephone Co.	8.250	11/01/15	1,000,000.00	1,000,000.00	920,000.00	8.250
Mountain States Telephone	8.000	09/15/17	1,500,000.00	1,491,075.00	1,338,750.00	8.048
Alaska Electric Light & Power Co.	10.500	09/15/91	700,000.00	700,000.00	700,000.00	10.500
Total corporate notes and debentures			\$30,200,000.00	\$30,469,495.00	\$28,812,753.00	

STATE OF ALASKA

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD (CONTINUED)

JUNE 30, 1978

	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>
COMMON STOCKS:			
Alcan Aluminum Ltd.	10,000	\$ 235,675.00	\$ 270,000.00
American Broadcasting	20,000	768,322.50	930,000.00
American Home Products	10,000	392,160.17	283,750.00
American Telephone & Telegraph	26,100	1,563,129.00	1,562,737.50
Avon Products, Inc.	6,000	247,614.49	318,750.00
Baker International Corporation	24,000	537,397.00	660,000.00
Beatrice Food Company	20,000	482,207.75	502,500.00
Boeing Company	8,000	214,586.00	423,000.00
Boise Cascade Corp.	20,000	613,595.00	535,000.00
Bucyrus-Erie Company	10,000	244,500.00	190,000.00
CBS, Inc.	6,000	347,845.00	315,000.00
Continental Oil Co.	15,000	507,810.00	395,625.00
Cooper Industries	12,000	500,450.50	663,000.00
Exxon Corporation	14,000	643,235.50	614,250.00
Farmers Group Inc.	8,000	174,000.00	206,000.00
Georgia Pacific	20,808	558,764.19	538,407.00
Getty Oil Company	3,000	585,990.00	426,750.00
Harnischfager Corp.	12,000	260,274.50	196,500.00
Houston Industries Inc.	7,000	229,450.00	212,625.00
IBM	5,500	1,305,446.20	1,414,875.00
Kaiser's Aluminum & Chem.	6,000	217,140.00	192,750.00
Koppers Company Inc.	23,000	535,106.00	506,000.00
Midland-Ross Corp.	5,000	151,130.00	176,875.00
Missouri Pacific Corp.	12,000	475,954.55	612,000.00
Montana Power Company	23,900	585,492.50	549,700.00
Owens-Corning Corp.	15,600	524,756.00	477,750.00
Rite Aid Corporation	8,800	159,843.50	190,300.00
Safeeco Corporation	10,000	410,000.00	390,000.00
Schlumberger Ltd.	10,000	651,822.50	833,375.00
Standard Oil of Calif.	13,300	516,775.00	530,337.50
Sundstrand Corporation	20,000	697,681.50	895,000.00
Whirlpool Corporation	5,000	106,058.14	113,750.00
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Total common stock		\$15,444,212.49	\$16,126,607.00
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STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS HELD (CONTINUED)
JUNE 30, 1978

	<u>Interest Rate</u>	<u>Cost</u>	<u>Net Yield</u>
REAL ESTATE MORTGAGES AND SBA LOANS:			
<u>FHA Mortgages Serviced By-</u>			
Alaska Mutual Savings Bank	6.75	\$ 51,155.26	7.07
Alaska Mutual Savings Bank	7.50	513,206.00	7.77
Alaska Mutual Savings Bank	8.50	103,810.13	8.50
Alaska National Bank of Fairbanks	7.50	65,100.19	7.13
Alaska National Bank of Fairbanks	8.00	243,870.40	6.63
Alaska National Bank of Fairbanks	8.50	285,258.86	8.30
Alaska State Bank	5.25	174,836.83	5.20
Alaska State Bank	6.00	260,891.03	6.00
Alaska State Bank	6.75	28,853.92	7.34
Alaska State Bank	7.00	1,256,768.18	7.34
Alaska State Bank	7.50	368,024.63	7.41
Alaska State Bank	8.00	37,335.58	7.29
Alaska State Bank	8.50	149,456.12	7.48
Alaska State Bank	8.50	230,865.82	7.40
First National Bank of Anchorage	5.25	365,654.56	5.16
First National Bank of Anchorage	5.50	26,673.47	5.28
First National Bank of Anchorage	7.00	297,858.27	7.39
First National Bank of Anchorage	7.50	579,346.51	7.92
First National Bank of Anchorage	8.50	224,745.90	8.92
First National Bank of Anchorage	8.50	393,661.74	8.39
First National Bank of Anchorage	8.75	226,427.12	8.95
First National Bank of Anchorage	8.50	100,850.25	8.50
National Bank of Alaska	5.25	25,640.72	5.60
National Bank of Alaska	6.00	582,034.45	6.24
National Bank of Alaska	7.00	483,602.88	7.30
National Bank of Alaska	7.50	55,646.57	7.32
National Bank of Alaska	8.50	344,561.62	8.25
Rainier Mortgage Company	5.25	23,146.77	5.21
Rainier Mortgage Company	5.75	132,448.95	5.63
Rainier Mortgage Company	6.00	126,800.22	5.63
Rainier Mortgage Company	7.00	697,931.62	7.30
Rainier Mortgage Company	7.50	176,997.80	7.92
Washington Mortgage Company	7.00	849,251.36	7.87
Total FHA mortgages		\$9,482,713.73	

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD (CONTINUED)

JUNE 30, 1978

	<u>Interest Rate</u>	<u>Cost</u>	<u>Net Yield</u>
REAL ESTATE MORTGAGES AND SBA LOANS			
(CONTINUED):			
<u>Small Business Loans Serviced By-</u>			
Alaska Mutual Savings Bank	9.50	\$ 257,702.41	9.00
Alaska State Bank	8.00	104,035.12	7.50
Alaska State Bank	9.00	13,378.33	8.50
Alaska State Bank	10.25	25,779.24	9.75
Alaska State Bank	10.50	141,981.86	10.00
Alaska State Bank	11.00	4,694.76	10.50
First National Bank of Ketchikan	9.75	252,550.76	9.38
First National Bank of Ketchikan	10.50	281,044.87	10.18
National Bank of Alaska	8.00	948,374.66	7.50
National Bank of Alaska	8.75	138,186.44	8.25
National Bank of Alaska	9.50	275,765.89	9.00
National Bank of Alaska	9.75	40,269.84	9.25
National Bank of Alaska	10.00	154,184.23	9.50
National Bank of Alaska	10.50	1,115,709.32	10.00
National Bank of Alaska	11.50	156,644.78	11.00
Peoples Bank and Trust Company	8.00	338,319.56	7.50
Peoples Bank and Trust Company	9.25	292,369.19	8.75

Total SBA loans		\$4,540,991.26	

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS HELD (CONTINUED)
JUNE 30, 1978

REAL ESTATE MORTGAGES AND SBA LOANS (CONTINUED):	Interest Rate	Cost	Net Yield
Conventional/Residential Mortgages Serviced By -			
Alaska Bank of Commerce	8.000	\$ 545,563.75	10.37
Alaska Bank of Commerce	9.500	132,154.21	9.12
Alaska Bank of Commerce	10.500	1,414,134.56	10.44
Alaska Federal Savings & Loan	9.250	428,578.91	8.94
Alaska Federal Savings & Loan	10.000	94,382.09	9.81
Alaska Mutual Savings Bank	9.375	449,012.89	9.06
Alaska Mutual Savings Bank	9.625	159,976.54	9.31
Alaska Mutual Savings Bank	9.750	144,271.96	9.44
Alaska Mutual Savings Bank	10.000	74,236.57	9.69
Alaska Mutual Savings Bank	9.375	427,402.45	9.06
Alaska Mutual Savings Bank	9.500	462,173.59	9.19
Alaska Mutual Savings Bank	9.750	336,278.52	9.44
Alaska Mutual Savings Bank	10.000	487,749.94	9.69
Alaska Mutual Savings Bank	10.250	291,860.82	10.31
Alaska Mutual Savings Bank	10.250	98,837.18	10.07
Alaska Mutual Savings Bank	10.250	150,542.22	10.07
Alaska Mutual Savings Bank	10.375	74,696.02	10.29
Alaska Mutual Savings Bank	10.500	708,811.03	10.07
Alaska Mutual Savings Bank	10.500	81,747.66	10.07
Alaska Mutual Savings Bank	10.750	463,944.66	10.50
Alaska Mutual Savings Bank	11.000	100,500.00	10.56
Alaska Mutual Savings Bank	10.750	430,010.69	10.31
Alaska Mutual Savings Bank	10.500	667,399.74	10.07
Alaska Mutual Savings Bank	10.500	496,400.98	10.31
Alaska Mutual Savings Bank	10.750	600,000.00	10.31
Alaska Nat'l Bank of Fairbanks	9.250	846,482.47	8.94
Alaska Nat'l Bank of Fairbanks	9.375	2,492,200.95	9.06
Alaska Nat'l Bank of Fairbanks	9.500	1,942,910.86	9.19
Alaska Nat'l Bank of Fairbanks	9.625	119,360.12	9.48
Alaska Nat'l Bank of Fairbanks	9.625	1,445,740.86	9.36
Alaska Nat'l Bank of Fairbanks	9.750	620,153.42	9.44
Alaska Nat'l Bank of Fairbanks	10.000	236,413.20	9.82
Alaska Nat'l Bank of Fairbanks	10.000	152,692.79	9.69
Alaska Nat'l Bank of Fairbanks	10.250	103,820.03	10.06
Alaska Nat'l Bank of Fairbanks	10.250	161,667.82	9.94
Alaska Nat'l Bank of Fairbanks	10.500	260,801.43	10.31
Alaska Nat'l Bank of Fairbanks	10.500	96,824.23	10.18
Alaska Nat'l Bank of Fairbanks	10.750	112,415.22	10.44
Alaska Nat'l Bank of Fairbanks	9.500	79,483.97	9.19
Alaska Nat'l Bank of Fairbanks	9.750	378,153.93	9.44
Alaska Nat'l Bank of Fairbanks	10.250	441,265.22	10.06

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS HELD (CONTINUED)
JUNE 30, 1978

	Interest Rate	Cost	Net Yield
REAL ESTATE MORTGAGES AND SBA LOANS			
(CONTINUED):			
Conventional/Residential			
Mortgages Serviced By			
(Continued)-			
Alaska Nat'l Bank of Fairbanks	10.500	\$ 49,413.78	9.69
Alaska Nat'l Bank of Fairbanks	10.500	860,408.44	10.44
Alaska Nat'l Bank of Fairbanks	10.500	2,202,097.68	10.31
Alaska Nat'l Bank of Fairbanks	10.500	22,273.95	10.19
Alaska Nat'l Bank of Fairbanks	11.000	147,748.42	11.00
Alaska Nat'l Bank of Fairbanks	11.500	365,577.09	11.35
Alaska Nat'l Bank of Fairbanks	12.000	198,105.69	12.00
Alaska Nat'l Bank of Fairbanks	10.500	94,838.66	10.44
Alaska Nat'l Bank of Fairbanks	10.500	248,687.30	10.31
Alaska Nat'l Bank of Fairbanks	10.500	190,918.79	10.31
Alaska Nat'l Bank of Fairbanks	11.000	487,500.00	11.00
Alaska Nat'l Bank of Fairbanks	10.500	492,774.64	10.31
Alaska Nat'l Bank of Fairbanks	12.000	1,390,489.03	12.00
Alaska Nat'l Bank of Fairbanks	10.500	750,000.00	10.50
Alaska Pacific Bank	9.375	451,676.32	9.06
Alaska Pacific Bank	9.500	1,194,803.72	9.19
Alaska Pacific Bank	9.600	383,062.30	9.29
Alaska Pacific Bank	9.625	497,106.46	9.31
Alaska Pacific Bank	9.750	76,210.79	9.44
Alaska Pacific Bank	10.000	684,862.65	9.81
Alaska Pacific Bank	10.000	260,166.30	9.69
Alaska Pacific Bank	10.250	116,100.69	9.81
Alaska Pacific Bank	9.375	74,441.95	9.06
Alaska Pacific Bank	9.500	74,083.56	9.19
Alaska Pacific Bank	9.625	74,627.45	9.31
Alaska Pacific Bank	9.875	59,345.46	9.56
Alaska Pacific Bank	10.250	111,297.02	10.06
Alaska Pacific Bank	10.500	708,208.71	10.31
Alaska Pacific Bank	10.500	75,455.97	10.19
Alaska Pacific Bank	11.000	238,942.55	10.81
Alaska State Bank	9.375	107,192.47	9.06
Alaska State Bank	9.375	1,614,461.71	9.06
Alaska State Bank	9.500	99,381.55	9.31
Alaska State Bank	9.500	1,743,878.54	9.19
Alaska State Bank	9.625	912,753.50	9.36
Alaska State Bank	9.750	987,303.95	9.44
Alaska State Bank	9.875	99,200.00	9.56
Alaska State Bank	10.000	215,598.41	9.82
Alaska State Bank	10.000	385,393.38	9.69
Alaska State Bank	10.250	205,371.15	10.06
Alaska State Bank	10.500	245,544.56	10.18
Alaska State Bank	10.500	299,181.26	10.31
Alaska State Bank	10.750	174,757.08	10.44

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS HELD (CONTINUED)
JUNE 30, 1978

REAL ESTATE MORTGAGES AND SBA LOANS (CONTINUED): Conventional/Residential Mortgages Serviced By (Continued)-	Interest Rate	Cost	Net Yield
Alaska State Bank	11.000	\$ 471,776.01	10.68
Alaska State Bank	9.625	54,795.60	9.31
Alaska State Bank	10.250	141,293.43	10.06
Alaska State Bank	10.500	88,716.54	10.19
AMFAC Mortgage Company	11.000	507,049.69	10.75
AMFAC Mortgage Company	10.500	107,606.22	10.31
AMFAC Mortgage Company	10.500	1,004,922.40	10.37
Arctic First Federal Savings & Loan	10.750	863,191.19	10.50
Arctic First Federal Savings & Loan	12.500	863,172.45	12.31
First Federal Savings & Loan Assoc.	10.500	994,471.98	10.44
First Nat'l Bank of Anchorage	9.000	49,587.37	9.06
First Nat'l Bank of Anchorage	9.375	806,846.01	9.06
First Nat'l Bank of Anchorage	9.500	2,271,347.82	9.19
First Nat'l Bank of Anchorage	9.625	2,414,176.59	9.31
First Nat'l Bank of Anchorage	9.750	129,874.93	9.56
First Nat'l Bank of Anchorage	9.750	962,727.69	9.44
First Nat'l Bank of Anchorage	9.875	132,250.00	9.56
First Nat'l Bank of Anchorage	10.000	856,706.97	9.82
First Nat'l Bank of Anchorage	10.000	638,840.57	9.69
First Nat'l Bank of Anchorage	10.250	487,129.45	10.07
First Nat'l Bank of Anchorage	10.250	206,935.28	9.94
First Nat'l Bank of Anchorage	10.500	739,200.30	10.31
First Nat'l Bank of Anchorage	10.500	474,386.87	10.19
First Nat'l Bank of Anchorage	10.750	406,083.91	10.57
First Nat'l Bank of Anchorage	9.250	318,048.72	8.94
First Nat'l Bank of Anchorage	9.375	86,513.90	9.06
First Nat'l Bank of Anchorage	9.500	77,825.25	9.19
First Nat'l Bank of Anchorage	9.625	59,942.28	9.31
First Nat'l Bank of Anchorage	9.750	57,119.78	9.44
First Nat'l Bank of Anchorage	10.250	80,396.60	10.25
First Nat'l Bank of Anchorage	10.250	474,285.89	10.06
First Nat'l Bank of Anchorage	10.250	27,929.95	9.94
First Nat'l Bank of Anchorage	10.500	440,129.39	10.19
First Nat'l Bank of Anchorage	10.500	186,971.13	10.13
First Nat'l Bank of Anchorage	10.750	480,100.52	10.75
First Nat'l Bank of Anchorage	11.000	815,818.30	10.81
First Nat'l Bank of Anchorage	12.000	149,125.68	11.75
First Nat'l Bank of Anchorage	12.000	.05	11.69
First Nat'l Bank of Anchorage	10.750	1,039,490.74	10.56

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS HELD (CONTINUED)
JUNE 30, 1978

REAL ESTATE MORTGAGES AND SBA LOANS (CONTINUED): Conventional/Residential Mortgages Serviced By (Continued)-	Interest Rate	Cost	Net Yield
First Nat'l Bank of Ketchikan	9.375	\$ 151,305.05	9.06
First Nat'l Bank of Ketchikan	9.500	31,417.91	9.19
First Nat'l Bank of Ketchikan	9.750	823,547.99	9.44
First Nat'l Bank of Ketchikan	10.000	231,148.66	9.69
First Nat'l Bank of Ketchikan	10.250	568,914.51	9.94
First Nat'l Bank of Ketchikan	10.500	73,433.01	10.31
First Nat'l Bank of Ketchikan	11.000	127,666.81	10.81
Home Federal Savings & Loan	9.500	1,269,619.15	9.19
Home Federal Savings & Loan	9.625	1,265,643.97	9.31
Home Federal Savings & Loan	9.750	192,574.06	9.44
Home Federal Savings & Loan	10.000	867,159.95	9.81
Home Federal Savings & Loan	10.000	506,975.74	9.69
Home Federal Savings & Loan	10.250	133,273.01	10.25
Home Federal Savings & Loan	10.250	655,406.68	9.94
Home Federal Savings & Loan	10.500	593,275.82	10.31
Home Federal Savings & Loan	10.500	429,633.70	10.19
Home Federal Savings & Loan	10.750	81,055.07	10.44
Home Federal Savings & Loan	10.250	65,246.50	9.94
Home Federal Savings & Loan	10.500	342,375.85	10.31
Home Federal Savings & Loan	10.500	128,131.23	10.19
Home Federal Savings & Loan	10.750	108,051.33	10.44
Home Federal Savings & Loan	10.750	89,181.59	10.57
Home Federal Savings & Loan	11.000	363,998.08	10.81
Home Federal Savings & Loan	10.250	542,960.13	10.19
National Bank of Alaska	10.500	589,794.51	10.44
National Bank of Alaska	10.500	226,934.07	10.31
National Bank of Alaska	10.500	1,125,000.00	10.34
Peoples Bank & Trust Co.	9.500	74,477.05	9.19
Peoples Bank & Trust Co.	9.750	163,296.01	9.44
Peoples Bank & Trust Co.	9.625	264,808.14	9.31
Peoples Bank & Trust Co.	10.500	376,875.00	10.31
Peoples Bank & Trust Co.	10.750	194,560.93	10.56
Peoples Bank & Trust Co.	11.000	111,902.09	10.81
Peoples Mortgage Company	10.250	665,117.16	10.19
Peoples Mortgage Company	10.500	213,360.40	10.31
Security National Bank	9.250	302,658.67	8.94
Security National Bank	9.375	226,846.71	9.06
Security National Bank	9.500	640,907.25	9.19
Security National Bank	9.625	326,605.54	9.31
Security National Bank	9.750	419,101.09	9.44
Security National Bank	10.000	461,736.64	9.69

STATE OF ALASKA

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD (CONTINUED)

JUNE 30, 1978

	<u>Interest Rate</u>	<u>Cost</u>	<u>Net Yield</u>
REAL ESTATE MORTGAGES AND SBA LOANS			
(CONTINUED):			
Conventional/Residential			
Mortgages Serviced By			
(Continued)-			
Security National Bank	10.000	\$ 340,935.79	9.82
Security National Bank	10.250	217,060.37	10.06
Security National Bank	10.250	435,909.86	9.94
Security National Bank	10.500	948,913.54	10.31
Security National Bank	10.500	300,503.68	10.44
Security National Bank	10.500	97,302.81	10.19
Security National Bank	11.000	257,738.70	10.72
Security National Bank	11.500	126,718.52	11.25
Security National Bank	10.500	139,599.05	10.31
Security National Bank	10.500	1,492,314.00	10.31
Security National Bank	10.750	74,695.03	10.44
Security National Bank	10.750	560,434.11	10.56
Security National Bank	11.000	145,558.13	10.81
United Bank Alaska	12.000	220,500.00	11.81

Total conventional/ residential mortgages		\$79,833,244.53	

Total mortgages and small business administration loans		\$93,856,949.52	
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STATE OF ALASKA

PUBLIC EMPLOYEES' RETIREMENT FUND
Comparative Statement of Operations

	Fiscal Year Ended	
	June 30, 1978	June 30, 1977
Beginning Equities and Reserves	\$190,954,572	\$141,988,644
Additions:		
Employees' Contributions Including Interest:		
Alaska Central Railbelt	13,050	21,193
Alaska Housing Finance Corporation	10,890	9,257
Alaska Municipal League	3,321	3,295
Alaska, State of	11,178,796	8,973,734
Alaska, University of	1,100,196	929,363
Alaska, University of, Geophysical Institute	109,332	98,028
Alaska Unorganized Borough Schools	(1,415)	(281,644)
Aleutian Region School District	7,495	16,626
Anchorage Borough Schools	983,426	845,590
Anchorage, City of	(1,849,186)	853,977
Anchorage, Greater Area Borough	(2,344,217)	1,079,098
Anchorage, Municipality of	6,188,100	
Annette Island School	8,588	24,793
Bering Straits School	17,373	34,298
Bethel, City of	4,713	1,547
Bristol Bay Borough	7,743	10,085
Bristol Bay Regional Resource Center	973	190
Chatham School District	3,195	10,354
Chugach Regional School	485	1,441
Copper River School	19,071	31,872
Cordova, City of	37,630	23,226
Cordova Community Hospital	17,817	30,023
Delta Junction, City of	345	3,587
Dillingham, City of		
Fairbanks, City of	460,244	385,588
Fairbanks Public Utilities	160,077	147,430
Galena City Schools	2,872	2,478
Gateway Borough	30,958	28,717
Haines, City of	11,236	9,806
Hoonah City Schools	9,998	9,678
Iditarod Area School	10,643	7,537
Juneau, City and Borough of	408,115	283,303
Juneau Borough Schools	88,053	72,780
Kenai, City of	62,609	48,396
Ketchikan Gateway Borough School District		
King Cove, City of	2,419	1,022
King Cove City Schools	2,274	2,323
Kodiak, City of	84,982	61,672
Kodiak Island Borough	11,077	
Kodiak Island Borough School	48,342	33,806
Kotzebue, City of	16,727	7,601
Kuspuk School District	13,863	13,622

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT FUND
Comparative Statement of Operations

	Fiscal Year Ended	
	June 30, 1978	June 30, 1977
Additions - Continued:		
Employees' Contributions - Continued:		
Lake and Peninsula School	7,427	17,588
Lower Kuskokwim School District	70,483	86,821
Lower Yukon School District	28,060	25,389
Matanuska Susitna Borough	79,997	47,102
Matanuska Susitna Borough School	76,059	64,236
Nome, City of	13,494	
Nome City Schools	23,325	21,430
Nome Joint Utilities	38,659	63,521
North Pacific Fisheries Management Council	4,871	
North Slope Borough	140,362	63,174
North Slope Borough School District	130,744	90,051
North Star Borough	155,573	129,589
North Star Borough Schools	305,566	246,836
Northwest Arctic Schools	90,723	103,728
Northwest Region Resource Center	1,420	389
Petersburg, City of	70,076	48,837
Pribilof Region Schools	4,620	6,798
Saint Paul, City of	3,756	
Sand Point, City of	5,900	
Selawik School District	(13,206)	7,173
Sitka, City of	84,289	81,569
Sitka Community Hospital	30,070	26,738
Sitka Borough School District	30,095	26,313
Skagway, City of	13,804	10,895
Soldotna, City of	19,324	8,130
South Central Region Resource Center	3,270	884
Southeast Island Schools	3,462	4,801
Southeast Regional Resource Center	4,206	915
Southwest Regional School District	18,031	48,803
Unalaska, City of		
Valdez, City of	47,079	53,204
Valdez City Schools	20,281	12,909
Western Regional Resource Center	1,086	
Wrangell, City of	38,615	28,052
Wrangell School District	3,673	3,560
Yukon Flats School District	25,119	35,918
Yukon-Koyukuk School	22,882	37,782
Less Interest Credited to Employees	(2,368,972)	(1,842,395)
Total Employees' Contributions	\$16,176,433	\$13,396,432

STATE OF ALASKA

PUBLIC EMPLOYEES' RETIREMENT FUND
Comparative Statement of Operations

	Fiscal Year Ended	
	June 30, 1978	June 30, 1977
Additions - Continued:		
Employers' Contributions:		
Alaska Central Railbelt	24,778	23,018
Alaska Housing Finance Corporation	33,528	19,699
Alaska Municipal League	10,456	10,946
Alaska, State of	22,687,050	20,936,847
Alaska, University of	2,066,262	1,816,362
Alaska, University of, Geophysical Institute	208,276	159,895
Alaska Unorganized Borough Schools		36,637
Aleutian Region School District	14,620	14,340
Anchorage Borough Schools	2,089,745	1,731,662
Anchorage, City of	(619,297)	2,551,167
Anchorage, Greater Area Borough	(5,087,842)	2,300,408
Anchorage, Municipality of	10,537,050	
Annette Island School	18,160	18,808
Bering Straits School	31,415	33,954
Bethel, City of	8,118	6,337
Bristol Bay Borough	19,272	8,850
Bristol Bay Regional Resource Center	2,210	391
Chatham School District	7,553	4,985
Chugach Regional School	3,088	2,780
Copper River School	38,062	34,864
Cordova, City of	64,620	71,178
Cordova Community Hospital	45,405	24,556
Delta Junction, City of	612	9,063
Dillingham, City of		
Fairbanks, City of	1,000,193	845,511
Fairbanks Public Utilities	364,836	293,876
Galena City Schools	5,420	4,397
Gateway Borough	57,910	48,652
Haines, City of	60,921	18,012
Hoonah City Schools	26,527	24,461
Iditarod Area School	24,892	12,990
Juneau, City and Borough of	762,289	617,950
Juneau Borough Schools	201,402	169,723
Kenai, City of	107,651	85,661
Ketchikan Gateway Borough School District		
King Cove, City of	6,636	2,294
King Cove Schools	4,789	4,981
Kodiak, City of	175,794	141,093
Kodiak Island Borough	11,728	
Kodiak Island Borough School	86,824	126,781
Kotzebue, City of	24,595	22,184
Kuspuk School District	30,455	22,039
Lake and Peninsula School	19,317	15,528

STATE OF ALASKA

PUBLIC EMPLOYEES' RETIREMENT FUND
Comparative Statement of Operations

	Fiscal Year Ended	
	June 30, 1978	June 30, 1977
Additions - Continued:		
Employers' Contributions - Continued:		
Lower Kuskokwim School District	161,315	100,890
Lower Yukon School District	59,068	39,955
Matanuska Susitna Borough	135,273	96,873
Matanuska Susitna Borough School	170,022	134,555
Nome, City of	113,082	125,910
Nome City Schools	57,006	59,686
Nome Joint Utilities	7,846	
North Pacific Fisheries Management Council	14,335	
North Slope Borough	376,227	114,337
North Slope Borough School District	264,821	175,431
North Star Borough	328,854	250,371
North Star Borough Schools	614,549	527,715
Northwest Arctic Schools	160,516	137,405
Northwest Region Resource Center	3,059	796
Petersburg, City of	138,994	103,073
Pribilof Region Schools	9,638	10,526
Saint Paul, City of	7,119	
Sand Point, City of	3,445	
Selawik School District	(2,421)	116,152
Sitka Borough School District	192,661	67,376
Sitka, City and Borough of	77,936	182,051
Sitka Community Hospital	196,053	47,886
Skagway, City of	20,839	18,195
Soldotna, City of	18,414	12,233
South Central Region Resource Center	7,129	2,071
Southeast Island Schools	7,278	8,114
Southeast Region Resource Center	2,293	1,829
Southwest Region School District	57,302	41,328
Unalaska, City of		
Valdez, City of	140,682	88,835
Valdez City Schools	42,283	27,192
Western Region Resource Center	2,710	
Wrangell, City of	68,120	55,263
Wrangell School District	13,357	13,012
Yukon Flats School District	45,622	16,218
Yukon-Koyukuk School	44,828	33,024
Total Employers' Contributions	\$38,735,575	\$34,881,182
Interest Earned on Reinstatements	\$ 144,040	\$ 42,106
Net Investment Income 1)	16,612,594	12,602,465
Total Additions	\$71,668,642	\$60,922,185
Total Equities, Reserves and Additions	\$262,623,214	\$202,910,829

STATE OF ALASKA

PUBLIC EMPLOYEES' RETIREMENT FUND
Comparative Statement of Operations

	Fiscal Year Ended	
	June 30, 1978	June 30, 1977
Deductions:		
Administrative Expenses:		
Personal Services	\$ 264,623	\$ 253,031
Travel	10,797	11,864
Contractual Services	127,968	96,523
Commodities	1,753	2,368
Equipment	1,400	1,661
Inter-Agency Services	203,300	166,900
Total Administrative Expenses	\$ 609,841	\$ 532,347
Employees' Contributions and Interest Refunded	\$ 4,345,592	\$ 3,816,748
Retirement Benefits Paid	\$ 11,005,738	\$ 7,607,162
Total Deductions	\$ 15,961,171	\$ 11,956,257
Ending Equities and Reserves	\$246,662,043	\$190,954,572

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOOTNOTES TO COMPARATIVE STATEMENT OF OPERATIONS
June 30, 1978

- 1) Schedule of Net Investment Income for Fiscal Year ended
June 30, 1978.

Interest Income	\$16,776,498
Gain/(Loss) on Sale of Securities	<u>(163,904)</u>
Total Net Investment Income	<u>\$16,612,594</u>

Benefit Services / Consulting Actuaries

October 9, 1978

Mr. B. B. Allen
Commissioner of Administration
State of Alaska
Department of Administration
Pouch CR
Juneau, Alaska 99811

Actuarial Status -
Alaska Public Employees' Retirement System

Dear Commissioner Allen:

This is a brief statement to outline the actuarial status of the Alaska Public Employees' Retirement System. The actuarial valuation which we perform each year has the following objectives:

- (1) To examine the status of funding of the System.
- (2) To develop contribution rates for each participating employer in the System which are adequate to support the benefits of the System.

The actuarial valuation of the Alaska Public Employees' Retirement System as of January 1, 1978 is based upon the actuarial assumptions and methods which were adopted by the Retirement Board in March, 1978. The more significant results are as follows:

Contribution Rates

Contribution rates as a percent of earnings have increased slightly, primarily due to greater than anticipated salary increases. The following table summarizes these rates:

	--- Valuation Date ---	
	<u>1-1-77</u>	<u>1-1-78</u>
(1) Consolidated Rate	9.96%	9.82%
(2) Average Past Service Rate	<u>2.09%</u>	<u>1.98%</u>
(3) Average Total Contribution Rate	12.05%	11.80%

William M. Mercer, Incorporated

Mr. B. B. Allen

Page Two

October 9, 1978

Funding Progress

One of the best measures of a pension plan's funding progress is the growth of assets relative to the present value of accrued benefits. Assets grew more rapidly than liabilities during 1977, more than offsetting increased liabilities from legislation. The slight growth in the Accrued Benefit funding ratio is a healthy sign that the System is being funded satisfactorily.

	--- Valuation Date ---	
	<u>1-1-77</u>	<u>1-1-78</u>
(1) Valuation Assets	\$159,121,540	\$218,748,056
(2) Present Value of Accrued Benefits	241,611,952	316,421,966
(3) Accrued Benefit Funding Ratio	65.9%	69.1%

A more complete analysis appears in the actuarial valuation report. In summary, it is our opinion that the funding progress of the System is satisfactory and the contribution levels are sufficient to support the benefits of the System.

Sincerely,



Robert F. Richardson, MAAA
Vice President

RFR:jn

1.4 ACTUARIAL METHOD AND ASSUMPTIONS

Valuation of Liabilities

- A. Actuarial Method - Attained Age Normal, also known as Aggregate Method with Supplemental Liability. The unfunded accrued benefit liability is amortized over 30 years.
- B. Actuarial Assumptions -
1. Interest 6% per year, compounded annually, net of investment expenses.
 2. Salary Scale 6% per year until age 39 and 5% per year for ages 40 and up.
 3. Mortality 1971 Group Annuity Mortality Table.
 4. Turnover Based upon the 1976 actual total turnover experience. (See Table 1).
 5. Disability Incidence rates in accordance with Table 2. Post-disability mortality in accordance with rates published by the Pension Benefit Guaranty Corporation to reflect mortality of those receiving disability benefits under Social Security. 94% of the disabilities are assumed to be occupational for police and fire; 28% for others.
 6. Retirement Age The average of age 60 and the earliest age for which unreduced retirement benefits will be available.
 7. Contribution Refunds 89% of those terminating before age 50 with 5 to 10 years of service will leave their contributions and thereby retain their deferred vested benefit. All others who terminate after becoming vested are assumed to keep their contributions in the System.
 8. C.O.L.A. 60% of those receiving retirement benefits will be eligible for C.O.L.A.
 9. Personal Leave 4.7 days of unused personal leave will be available for each year of service.
 10. Expenses No loading for expenses.

William M. Mercer, Incorporated

Valuation of Assets

Based upon the three-year average ratio between market and book values of the System's assets.

TABLE 1
PROPOSED EMPLOYEE TURNOVER ASSUMPTIONS

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	.3274	.3753
21	.3175	.3710
22	.3076	.3668
23	.2588	.3420
24	.2100	.3180
25	.1750	.2950
26	.1400	.2733
27	.1050	.2516
28	.1043	.2437
29	.1037	.2358
30	.1031	.2280
31	.1025	.2202
32	.1019	.2124
33	.1016	.2043
34	.1013	.1962
35	.1010	.1881
36	.1007	.1800
37	.1004	.1719
38	.0957	.1679
39	.0910	.1639
40	.0863	.1600
41	.0816	.1561
42	.0766	.1522
43	.0753	.1453
44	.0740	.1384
45	.0727	.1315
46	.0714	.1246
47	.0700	.1179
48	.0767	.1150
49	.0834	.1120
50	.0901	.1090
51	.0968	.1060
52	.1037	.1031
53	.1070	.1050
54	.1085	.1069
55	.1100	.1088
56	.1115	.1107
57	.1130	.1126
58	.1135	.1145
59	.1140	.1164
60 and up	.1145	.1183

TABLE 2
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
OF ALASKA

Disability Rates

All Employees

Annual Rates Per 1,000 Employees

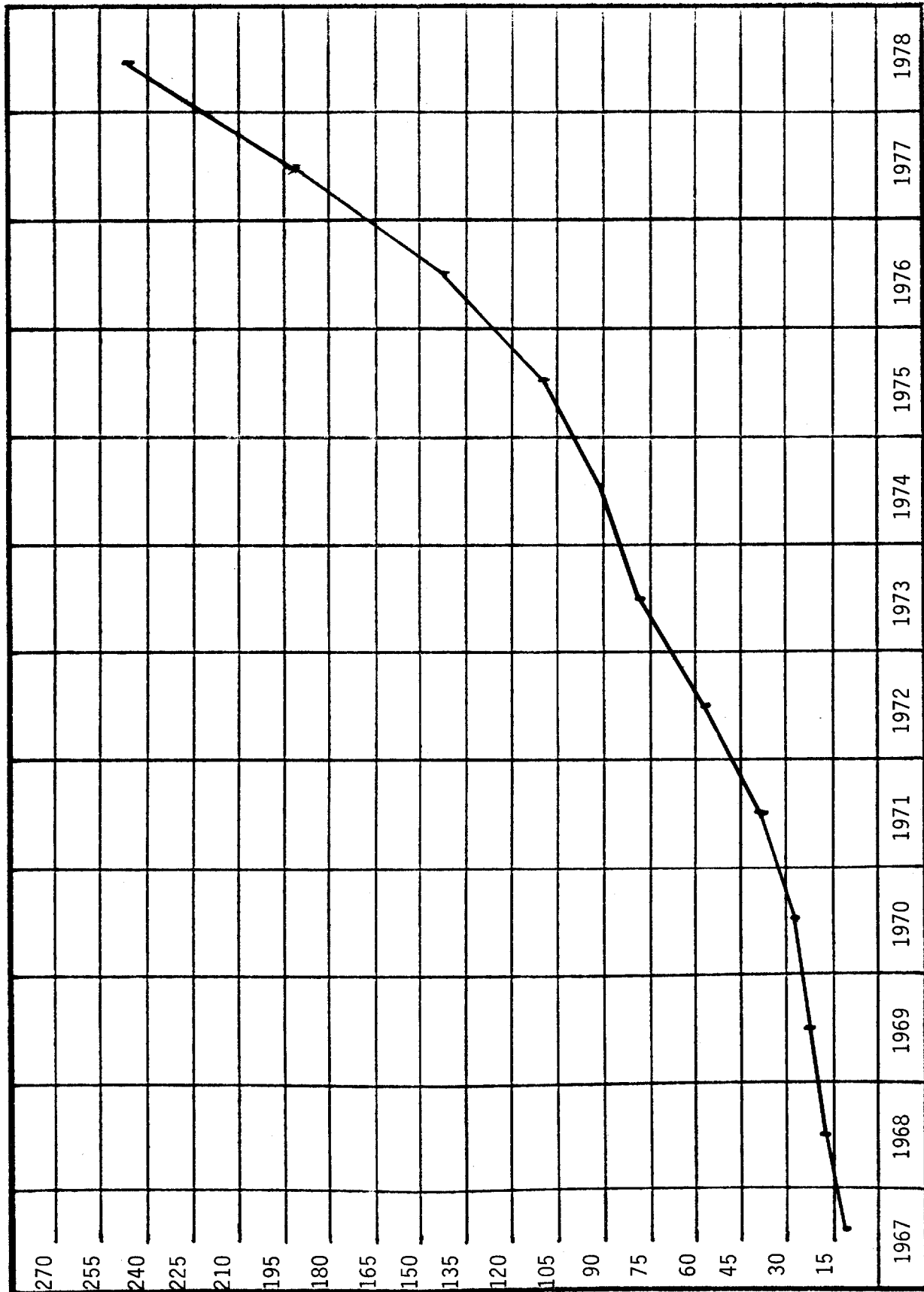
<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	.70	45	1.62
21	.71	46	1.76
22	.72	47	1.91
23	.73	48	2.07
24	.74	49	2.23
25	.75	50	2.40
26	.76	51	2.60
27	.78	52	2.86
28	.80	53	3.18
29	.82	54	3.55
30	.84	55	4.00
31	.86	56	4.59
32	.88	57	5.34
33	.90	58	6.10
34	.93	59	7.20
35	.96	60	8.43
36	.99	61	9.75
37	1.03	62	11.30
38	1.07	63	13.05
39	1.11	64	14.90
40	1.15		
41	1.20		
42	1.27		
43	1.36		
44	1.48		

STATE OF ALASKA

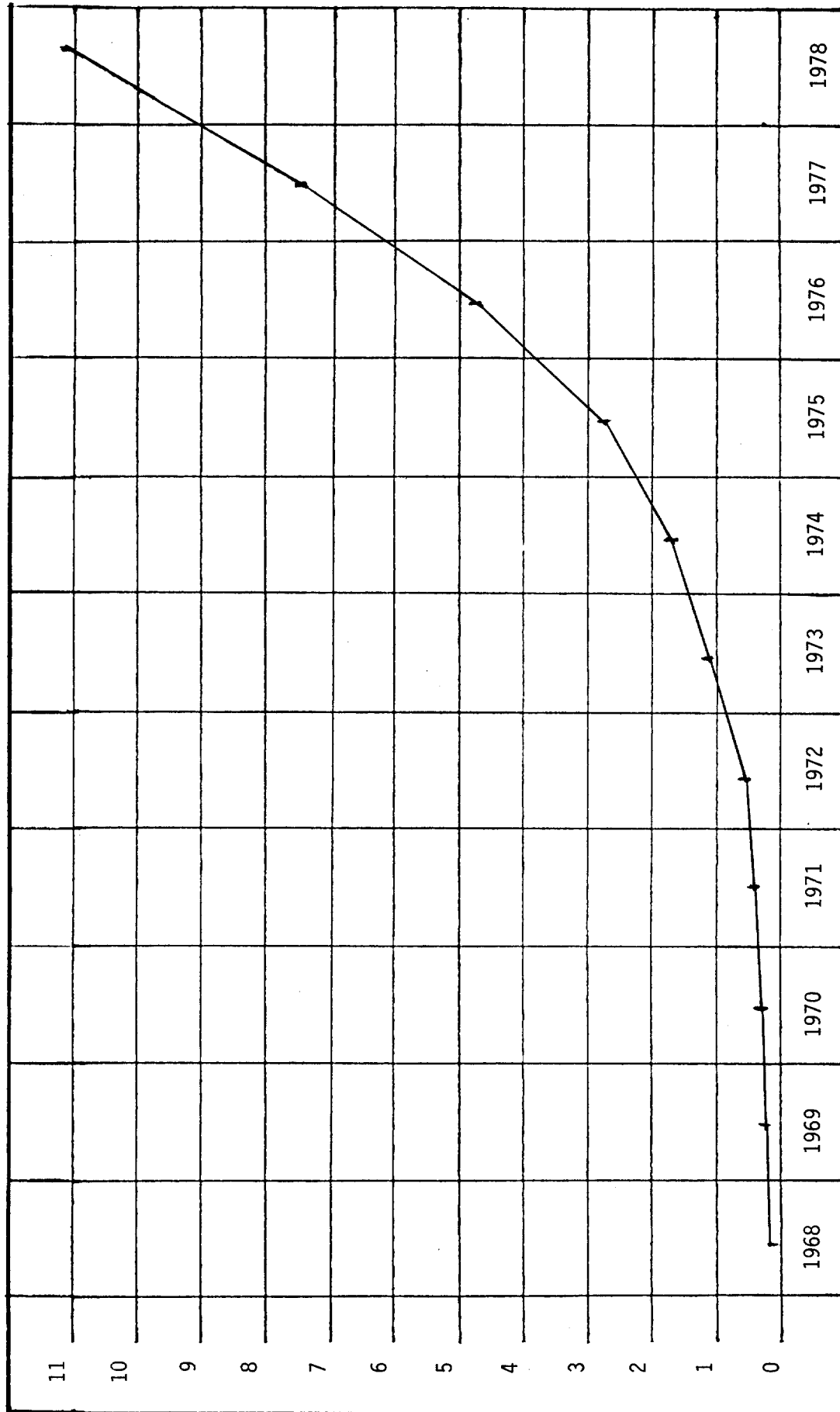
PUBLIC EMPLOYEES' RETIREMENT FUND
Historical Data
Fiscal Years 1966 through 1978
(cents omitted)

Fiscal Year	Assets Fiscal Year End	Employers' Contributions During Fiscal Year	Employees' Contributions During Fiscal Year	Benefits Paid Including Death Benefits	Employees' Contributions and Interest Refunded During Fiscal Year	Net Investment Income During Fiscal Year
1966	\$ 10,799,627	\$ 1,650,980	\$ 700,891	\$ 45,142	\$ 277,582	\$ 390,773
1967	13,127,498	1,580,520	567,799	54,620	359,975	560,279
1968	16,179,278	2,459,200	597,580	72,767	704,463	675,866
1969	22,497,780	3,854,514	1,917,650	139,360	410,490	1,035,935
1970	29,293,897	2,763,176	2,728,332	200,236	561,178	1,687,211
1971	41,444,559	7,408,647	3,568,932	315,390	882,218	1,756,740
1972	57,285,001	9,957,962	4,677,640	565,551	1,144,434	3,252,779
1973	80,116,285	15,269,037	6,636,276	1,120,276	1,643,831	3,345,726
1974	89,606,549	9,439,931	6,805,053	1,714,642	2,334,265	2,270,806
1975	107,556,336	13,435,344	8,449,474	2,810,321	3,163,052	2,365,398
1976	141,988,644	22,712,558	12,348,074	4,842,542	3,758,719	8,367,857
1977	190,954,572	34,881,182	13,438,538	7,607,162	3,816,748	12,602,465
1978	246,662,043	38,735,575	16,176,433	11,005,738	4,345,592	16,612,594

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT FUND
Total Assets
Fiscal Years 1967 Through 1978

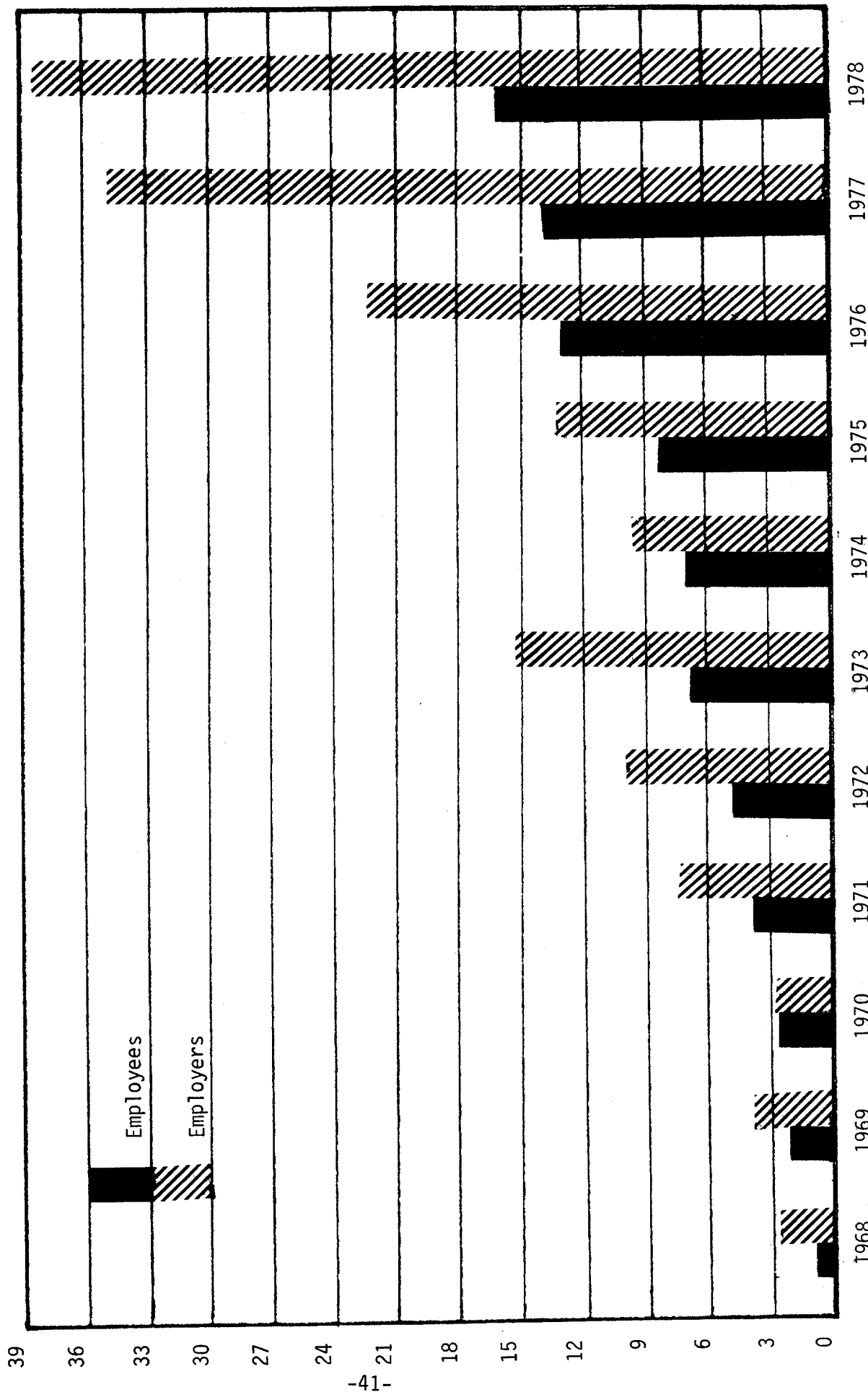


STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT FUND
Benefits Paid
Fiscal Years 1968 through 1978



STATE OF ALASKA

PUBLIC EMPLOYEES' RETIREMENT FUND Employees' and Employers' Contributions Fiscal Years 1968 through 1978



STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT FUND
Employer Contribution Rates
Fiscal Year 1978

<u>Employer</u>	<u>Percentage</u>
Alaska Central Railbelt School District	9.43
Alaska Housing Finance Corporation	12.60
Alaska Municipal Leagues	17.51
Alaska, State of	11.58
Alaska, University of	10.32
Alaska, University of, Geophysical Institute	10.32
Aleutian Region School District	9.43
Anchorage Borough School District	11.57
Anchorage, Municipality of	11.57
Annette Island School District	9.43
Bering Straits School District	9.43
Bethel, City of	10.07
Bristol Bay Borough	15.37
Bristol Bay Regional Resource Center	9.43
Chatham School District	9.43
Chugach Regional School District	9.43
Copper River School District	9.43
Cordova, City of	10.82
Cordova Community Hospital	10.82
Delta Junction, City of	9.43
Fairbanks (Includes City and Utilities)	12.89
Galena, City Schools	9.16
Haines, City of	9.38
Hoonah, City Schools	12.53
Iditarod Area School District	9.43
Juneau, City and Borough of	10.69
Juneau Borough School District	10.69
Kenai, City of	9.82
Ketchikan, Gateway Borough	9.38
King Cove, City of	12.05
King Cove City School District	9.06
Kodiak, City of	11.04
Kodiak Island School District	9.43
Kotzebue, City of	9.14
Kuspuk School District	9.43
Lake and Peninsula School District	9.43
Lower Kuskokwim School District	9.43
Lower Yukon School District	9.43
Matanuska-Susitna Borough (Includes School District)	11.42
Nome, City of	11.69
Nome City Schools	10.93
Nome Joint Utilities	11.69
North Pacific Fisheries Management Council	12.07

Employer Contribution Rates (Cont.)
Fiscal Year 1978

<u>Employer</u>	<u>Percentage</u>
North Slope Borough	12.53
North Slope Borough School District	9.43
North Star Borough (Includes School District)	10.36
Northwest Arctic School District	9.43
Northwest Regional Resource Center	9.43
Petersburg, City of	11.35
Pribilof Region School District	9.43
Saint Paul, City of	9.73
Sand Point, City of	9.90
Sitka, City and Borough (Includes School District)	11.96
Sitka Community Hospital	11.96
Skagway, City of	8.35
Soldotna, City of	8.82
Southcentral Regional Resource Center	9.43
Southeast Island Schools	9.43
Southeast Regional Resource Center	9.43
Southwest Region School District	9.43
Valdez, City of	12.07
Valdez, City Schools	9.66
Western Regional Resource Center	9.43
Wrangell, City of	10.77
Wrangell City Schools	16.84
Yukon Flats School District	9.43
Yukon Koyukuk School District	9.43

STATE OF ALASKA

TEACHERS'
RETIREMENT
FUND

BOARD MEMBERS

<u>Name</u>	<u>Term Expires</u>
Jerome W. Norum, Chairman	January 31, 1979
Jean A. Johnson	July 31, 1978
Steve Kinney	January 31, 1981
Merritt C. Olson	January 31, 1980
Leah J. Peterson	July 1, 1978

ARTHUR ANDERSEN & Co.

SEATTLE, WASHINGTON

AUDITORS' REPORT

To the Director of the
Division of Retirements and Benefits-
State of Alaska Teachers' Retirement
System:

We have examined the statement of assets and fund balance arising from cash transactions of the State of Alaska Teachers' Retirement System as of June 30, 1978, and the related statement of changes in fund balance arising from cash transactions for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accompanying financial statements and exhibit have been prepared on a basis of cash receipts and disbursements as described in Note 1. Consequently, the financial statements and exhibit do not include certain assets, liabilities, revenue and expenses. Accordingly, the accompanying financial statements are not intended to present financial position and changes in fund balance in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statements present the assets and fund balance arising from cash transactions of the State of Alaska Teachers' Retirement System as of June 30, 1978, and the changes in fund balance arising from cash transactions for the year ended June 30, 1978, on the basis indicated in the preceding paragraph applied on a basis consistent with the prior year.

Our examination has been made primarily for the purpose of forming an opinion stated in the preceding paragraph. The data contained in Exhibit 1, although not considered necessary for a fair presentation of the assets and fund balance arising from cash transactions and changes therein, are presented as supplementary information and has been subjected to audit procedures applied in the examination of the basic financial statements. In our opinion, this exhibit, when considered in relation to the basic financial statements, presents fairly, in all material respects, the information shown therein on the cash basis of accounting.

Arthur Andersen & Co.

Seattle, Washington,

October 3, 1978.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

STATEMENT OF ASSETS AND FUND BALANCE
ARISING FROM CASH TRANSACTIONS

AS OF JUNE 30, 1978

CASH	\$ 289,140
CERTIFICATES OF DEPOSIT AND OTHER SHORT-TERM INVESTMENTS	31,800,940
BONDS, NOTES AND DEBENTURES:	
United States Government Securities, at cost	
(market- \$55,734,867)	59,555,471
Other, at cost (market-\$22,436,438)	23,648,905
COMMON STOCK, at cost (market- \$18,531,089)	15,980,199
REAL ESTATE MORTGAGES AND SMALL BUSINESS ADMINISTRATION LOANS IN ALASKA	84,095,896

	\$215,370,551
	=====
FUND BALANCE	\$215,370,551
	=====

The accompanying notes and exhibit are
an integral part of this statement.

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FUND BALANCE
ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED JUNE 30, 1978

BALANCE AT JUNE 30, 1977	\$177,345,467 -----
CASH TRANSACTIONS RESULTING IN ADDITIONS:	
Employee contributions	15,510,483
Employer contributions and state match	19,792,849
Investment income	16,051,252
Interest on members' indebtedness	633,939 -----
	51,988,523 -----
CASH TRANSACTIONS RESULTING IN DEDUCTIONS:	
Retirement benefits paid	11,025,589
Refunds to terminated members	2,319,376
Administrative expenses	618,474 -----
	13,963,439 -----
BALANCE AT JUNE 30, 1978	\$215,370,551 =====

The accompanying notes and exhibit are
an integral part of this statement.

STATE OF ALASKA

TEACHERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1978

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The System maintains its accounting records, and its financial statements are prepared, on a cash basis of accounting.

Contributions, investment and other interest income, retirement benefits, refunds to terminated members and administrative expenses are recorded when cash is received or disbursed.

Investments are stated at cost. Unrealized losses are not recognized on bonds and debentures for the excess of cost over market, as management intends to hold these investments until maturity. Investment income consists of interest, dividends and gains or losses generated by the sale of investments. Discounts or premiums on investments owned by the System are amortized over the term of the investments.

(2) DESCRIPTION OF THE SYSTEM:

A retirement system for Alaska Teachers was initially established in 1929. Territorial and State legislatures have repealed and established new retirement systems several times with the last major revision to the System as a whole in 1955. Since that time, the legislature has amended the 1955 Act to extend coverage of the Act and to liberalize benefits to participants.

The Commissioner of Administration is responsible for overall administration of the System. The Commissioner of Revenue is the Treasurer of the System and is responsible for providing accountability and management of the System's cash and investments.

Eligible participants contribute 7% of gross pay to the System. The participants' employers and the State of Alaska jointly contribute an amount which, in addition to participants' contribution, will annually fund estimated current and prior service costs.

Participants are entitled to full retirement benefits upon completion of 20 years of Alaska service or at age 55. Vesting occurs over eight years. All retirees receive a minimum monthly benefit of \$20 for each year of credited service. Upon termination members' contributions, plus accrued interest are refundable.

In addition to retirement benefits, the System provides for payment of a disability pension to participants in membership service who become permanently disabled before age 55 and who have had at least 5 years of membership service. The benefit is equal to 50% of the member's base salary immediately prior to becoming disabled, plus an additional 10% for each minor child (up to a maximum of four).

Comprehensive medical insurance coverage is also provided at no cost to all retired members and their dependents. Coverage is automatic and continuous as long as the retired participant or survivors are eligible to receive benefits.

(3) ACTUARIAL DETERMINATIONS:

The System's consulting actuaries, William M. Mercer, Incorporated, estimated the present value of accrued benefits to be \$315,383,000 at June 30, 1977.

Contributions to the System are based upon recommendations from the actuaries utilizing the actuarial cost method described below.

Significant assumptions underlying the June 30, 1977 actuarial determinations are as follows:

Actuarial Cost Method	- The Aggregate Method which spreads all unfunded liabilities as a level percent of salaries over 14 years.
Mortality Basis	- 1951 Group Annuity Mortality Table with Projection "C" to 1965.
Retirement Age	- Average age of 60 and the earliest age for which the member would be eligible for normal retirement benefits.
Interest Rate	- 5% per annum, compounded annually, net of investment expenses.
Salary Scale	- 4% per annum, compounded annually until age 39; 2% from 40 to 49; and 1% thereafter.

- Cost of Living Adjustment (Domiciled in Alaska) - 40% of those receiving benefits will be eligible to receive the cost of living adjustment.
- Contribution Refunds - 50% of those terminating after age 40 and 8 years of service will receive deferred vested benefits; all others will take refunds of contributions upon termination before retirement.
- Asset Valuation - Adjusted market basis using the three year average relationship between market and book values.

Turnover and disability assumptions are based upon actual historical occurrence rates for the System.

During the year under audit, the Teachers' Retirement System's Board approved the following change in actuarial assumptions which will be reflected in the June 30, 1978 actuarial report:

- Actuarial Cost Method - Attained age normal.
- Mortality Basis - 1971 Group Annuity Mortality Table.
- Interest Rate - 6% per annum, compounded annually, net of investment expenses.
- Salary Scale - 6% per annum, compounded annually until age 39; 5% thereafter.
- Contribution Refunds - 85% of those terminating before age 50 with between vesting and 12 years of service will receive deferred vested benefits; all those terminating after age 50 with over 12 years of service will receive deferred vested benefits; all others will take refunds of contributions upon termination before retirement.

STATE OF ALASKA
TEACHERS RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS HELD AT
JUNE 30, 1978

	<u>Maturity Date</u>	<u>Cost</u>	<u>Interest Rate</u>
CERTIFICATES OF DEPOSIT AND SHORT-TERM DEBT INVESTMENTS:			
<u>Certificates of Deposit-</u>			
Alaska Federal Savings and Loan	10/12/78	\$ 100,000.00	7.750
Arctic First Federal Savings and Loan	10/10/78	150,000.00	7.500
Arctic First Federal Savings and Loan	07/15/79	200,000.00	7.500
Arctic First Federal Savings and Loan	07/15/80	200,000.00	7.500
Crocker Bank	07/31/78	1,000,000.00	7.375
Seattle First National Bank	08/29/78	1,488,000.00	7.550
Wells Fargo Bank	12/04/78	1,000,000.00	8.030
Security Pacific National Bank	12/11/78	1,100,000.00	8.080
Security Pacific National Bank	12/29/78	7,000,000.00	8.500

Total certificates of deposit		\$12,238,000.00	

<u>Savings Accounts-</u>			
Bank of California	-	\$ 37,133.00	5.000
Alaska National Bank	-	41,900.00	5.000

Total saving accounts		\$ 79,033.00	

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD (CONTINUED)

JUNE 30, 1978

	<u>Maturity Date</u>	<u>Cost</u>	<u>Interest Rate</u>
CERTIFICATES OF DEPOSIT AND OTHER SHORT-TERM INVESTMENTS (CONTINUED):			
<u>Repurchase Agreements-</u>			
Rainier National Bank	07/3/78	\$ 1,100,000.00	7.500
Seattle First National Bank	07/3/78	210,000.00	7.000

Total repurchase agreements		\$ 1,310,000.00	

<u>Bankers Acceptances-</u>			
Bank of America	07/24/78	\$ 2,948,343.75	7.125
Bank of America	07/28/78	3,936,800.00	7.110
Crocker National Bank	07/31/78	2,459,056.95	7.190
Bank of America	08/15/78	2,949,706.67	7.360

Total bankers acceptances		\$12,293,907.37	

<u>Commercial Paper-</u>			
General Electric Credit Corp.	07/05/78	1,237,000.00	7.125
Associated Corp. of NA		1,243,000.00	
Ford Motor Credit Corp.	07/06/78	1,200,000.00	7.250
General Motors Accept. Corp.	07/19/78	1,600,000.00	7.550
Sears Roebuck Accept. Corp.	07/21/78	600,000.00	7.550

Total commercial paper		\$ 5,880,000.00	

Total certificates of deposit and other short-term investments		\$31,800,940.37	
		=====	

STATE OF ALASKA

TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD (CONTINUED)

JUNE 30, 1978

UNITED STATES GOVERNMENT SECURITIES:							
U.S. Treasury Notes and Bonds-							
Interest Rate	Maturity Date	Par Value	Cost	Market Value	Net Yield		
6.250	11/15/79	\$ 1,000,000	\$ 799,502.63	\$ 777,504.00	6.300		
7.125	12/31/79	6,000,000	5,986,171.88	5,887,500.00	7.100		
7.625	08/15/81	500,000	518,281.25	487,500.00	7.400		
7.125	11/15/82	2,500,000	2,492,700.00	2,373,438.00	7.146		
8.000	02/15/83	100,000	100,000.00	98,250.00	8.000		
7.250	02/15/84	2,000,000	2,001,000.00	1,883,750.00	7.246		
7.250	08/15/84	3,000,000	2,966,250.00	2,822,813.00	7.332		
7.875	05/15/86	250,000	250,000.00	239,532.50	7.900		
7.875	02/15/00	6,500,000	6,659,336.87	6,000,313.00	7.687		
8.375	08/15/00	4,000,000	3,963,200.00	3,885,000.00	8.453		
7.625	02/15/07	1,000,000	977,500.00	893,750.00	7.800		
7.875	11/15/07	4,000,000	3,977,220.00	3,682,500.00	7.920		
Total U.S. Treasury Notes and Bonds							
		\$30,850,000	\$30,691,162.63	\$29,031,850.50			
U.S. Agencies-							
Federal National Mortgage Association							
7.550	12/10/84	1,000,000	1,000,000.00	936,250.00	7.550		
International Bank for Reconstruction and Development							
9.350	12/15/00	500,000	541,250.00	508,125.00	8.637		
8.125	03/15/07	1,353,000	1,347,503.44	1,273,511.00	8.158		
Federal Home Loan Mortgage Co.							
International Bank for Reconstruction and Development Bonds							
7.650	05/1/87	450,000	447,750.00	411,187.50	7.700		
Total U.S. Agencies							
		\$ 3,303,000	\$ 3,336,503.44	\$ 3,129,073.50			

STATE OF ALASKA

TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD (CONTINUED)

JUNE 30, 1978

GNMA Mortgage Backed Securities-		Interest	Maturity	Par Value	Cost	Market Value	Net Yield
Pool #	Rate	Date					
1599	7.000	07/15/12	\$	508,148.06	\$	433,196.00	7.000
5619	8.000	04/15/05		280,806.43		256,938.00	8.137
7044	8.000	06/15/05		970,719.70		888,209.00	8.137
7082	8.000	08/15/05		888,964.74		813,403.00	8.026
12467	8.000	09/15/06		951,051.09		870,212.00	8.035
19191	8.000	09/15/07		1,001,661.81		916,521.00	8.094
20208	8.000	09/15/07		487,453.35		446,020.00	8.094
19410	8.000	10/15/07		1,992,744.59	1,969,703.00	1,823,361.00	8.094
1250	8.100	10/15/11		496,982.94	531,773.51	452,254.00	7.570
4160	8.500	09/15/04		715,432.90	736,225.16	679,214.00	8.260
5328	8.500	02/15/05		391,900.97	411,740.95	372,061.00	8.090
7577	8.500	10/15/05		933,560.62	944,063.19	886,299.00	8.405
6333	8.500	11/15/05		841,933.09	849,300.03	799,310.00	8.426
6508	8.500	11/15/05		371,483.24	381,234.63	352,677.00	8.283
7812	8.500	12/15/05		828,531.11	849,762.22	786,587.00	8.288
5994	8.500	01/15/06		241,580.07	248,827.47	229,350.00	8.252
7113	8.500	01/15/06		200,163.89	206,168.80	190,031.00	8.249
7580	8.500	01/15/06		735,832.75	755,148.36	698,581.00	8.283
8567	8.500	01/15/06		869,398.99	888,960.45	825,386.00	8.313
9110	8.500	01/15/06		369,797.03	388,518.01	351,076.00	8.090
7786	8.500	02/15/06		827,403.20	850,156.78	785,516.00	8.273
7860	8.500	02/15/06		453,179.38	457,144.71	430,237.00	8.426
8213	8.500	02/15/06		702,809.52	720,819.01	667,230.00	8.288
7138	8.500	03/15/06		862,126.56	884,218.54	818,481.00	8.288
8817	8.500	03/15/06		391,283.10	396,663.25	371,474.00	8.385
8827	8.500	03/15/06		935,112.34	947,385.68	887,772.00	8.390
10319	8.500	04/15/06		475,897.38	480,061.14	451,805.00	8.426
10739	8.500	05/15/06		980,205.79	1,009,611.98	930,583.00	8.252
12363	8.500	08/15/06		1,633,136.32	1,674,985.46	1,550,459.00	8.288
12368	8.500	08/15/06		175,388.14	184,815.25	166,509.00	8.066
14594	8.500	11/15/06		978,047.30	1,007,388.71	928,534.00	8.252
16900	8.500	02/15/07		438,199.04	448,058.52	416,015.00	8.313
17046	8.500	03/15/07		2,210,551.00	2,261,669.99	2,098,642.00	8.308
Total GNMA backed securities				\$25,141,486.44	\$25,527,805.26	\$23,573,943.00	
Total United States Government bonds and notes				\$59,294,486.44	\$59,555,471.33	\$55,734,867.00	

STATE OF ALASKA

TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD (CONTINUED)

JUNE 30, 1978

OTHER BONDS, NOTES AND DEBENTURES:	Interest Rate	Maturity Date	Par Value	Cost	Market Value	Net Yield
Corporate Notes and Bonds-						
California Federal Savings and Loan	7.375	01/01/82	\$ 1,500,000.00	\$ 1,492,500.00	\$ 1,426,530.00	7.412
Pacific Gas and Electric Co., 1st Ref. Mortgage Series 75A	9.500	06/01/85	1,250,000.00	1,243,750.00	1,286,838.00	9.547
Montgomery Ward Credit Corp.	9.600	02/01/95	1,250,000.00	1,261,875.00	1,268,750.00	6.875
Diamond Shamrock Corp.	9.000	04/01/99	1,000,000.00	1,020,000.00	993,510.00	8.823
Pfizer, Inc.	8.500	04/15/99	500,000.00	470,125.00	485,000.00	9.040
General Motors Acceptance Corp.	8.750	02/01/00	1,500,000.00	1,593,750.00	1,443,750.00	8.235
Pfizer, Inc.	9.250	08/15/00	1,000,000.00	995,000.00	1,030,000.00	9.296
Ashland Oil Inc.	10.000	09/01/00	500,000.00	500,000.00	525,000.00	10.000
Exxon Corp.	8.250	03/01/01	1,000,000.00	1,027,500.00	960,000.00	8.029
Mobil Corp.	8.500	06/15/01	1,000,000.00	1,010,000.00	958,750.00	8.416
Texas Electric Service Co.	8.875	06/01/05	1,000,000.00	1,012,830.00	1,002,550.00	8.763
Sears Roebuck and Co.	8.000	04/01/06	1,000,000.00	988,750.00	920,000.00	8.091
Standard Oil Co. of Indiana	7.875	08/01/07	1,000,000.00	978,750.00	906,250.00	8.046
American Hospital Supply Corp.	7.875	08/15/07	1,500,000.00	1,495,500.00	1,410,000.00	7.899
Duke Power Co.	8.125	09/01/07	1,000,000.00	968,750.00	882,500.00	8.387
Province of Ontario	8.375	09/15/07	1,500,000.00	1,500,000.00	1,362,675.00	8.375
Central Power and Light	8.250	10/01/07	1,500,000.00	1,485,000.00	1,361,835.00	8.333
Aetna Life and Casualty Co.	8.125	10/15/07	1,000,000.00	991,250.00	910,000.00	8.197
Michigan Bell Telephone	9.600	10/01/08	1,000,000.00	1,122,500.00	1,043,750.00	8.552
South Central Bell Telephone Co.	8.250	11/01/15	1,000,000.00	1,000,000.00	920,000.00	8.250
Mountain States Telephone	8.000	09/15/17	1,500,000.00	1,491,075.00	1,338,750.00	8.048
Total other bonds, notes and debentures			\$23,500,000.00	\$23,648,905.00	\$22,436,438.00	

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD (CONTINUED)

JUNE 30, 1978

	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>
COMMON STOCKS:			
Alcan Aluminum	15,000	\$ 352,095.00	\$ 405,000.00
Aluminum Company of America	9,100	339,260.58	384,475.00
American Broadcasting Company	20,000	746,300.00	930,000.00
American Home Products	9,000	356,024.96	255,375.00
American Tel. & Tel Co.	26,100	1,428,609.00	1,562,737.50
Baker International Corporation	30,000	541,226.59	825,000.00
Boeing Company	10,000	272,386.50	528,750.00
Boise Cascade	28,627	509,980.75	756,142.25
Caterpillar Tractor	7,500	332,572.92	419,062.50
CBS, Inc.	6,000	305,686.05	315,000.00
Communications Satellite	6,599	217,539.97	260,660.50
Continental Oil Company	20,000	555,239.73	527,500.00
Cooper Industries	12,000	501,768.00	663,000.00
Exxon Corporation	16,500	670,052.65	723,937.50
Farmers Group, Inc.	5,000	108,750.00	128,750.00
General Reinsurance Corp.	2,500	403,857.50	450,000.00
Georgia-Pacific Corp.	18,207	416,648.46	471,106.13
Getty Oil Company	3,000	451,744.76	426,750.00
Harnischfeger Corporation	10,000	217,619.00	163,750.00
Houston Industries, Inc.	6,800	223,469.00	206,550.00
International Business Machines	6,000	1,344,081.95	1,543,500.00
Joy Manufacturing	5,000	209,770.28	165,000.00
Koppers Company, Inc.	26,500	610,019.00	583,000.00
Midland-Ross Corporation	5,000	151,014.00	176,875.00
Missouri Pacific Corp.	16,000	592,438.86	816,000.00
Montana Power Company	33,000	779,186.50	759,000.00
Morton Simon, Inc.	7,790	141,737.86	142,167.50
Owens-Corning Fiberglass	18,000	604,620.00	551,250.00
Rite Aid Corporation	9,000	163,484.00	194,625.00
Safeco Corporation	13,500	465,875.00	526,500.00
Schlumberger, Ltd.	11,000	670,947.50	917,125.00
Standard Oil Co. of Calif.	12,500	485,375.00	498,437.50
Sundstrand Corporation	20,000	424,249.44	895,000.00
Union Oil Co. of Calif.	7,500	386,567.79	359,062.50
Total common stocks		\$15,980,198.60	\$18,531,088.88
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STATE OF ALASKA

TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD (CONTINUED)

JUNE 30, 1978

	<u>Interest Rate</u>	<u>Cost</u>	<u>Net Yield</u>
REAL ESTATE MORTGAGES AND SBA LOANS:			
FHA Mortgages Serviced By-			
Alaska Mutual Savings Bank	6.00	\$ 274,276.38	6.39
Alaska Mutual Savings Bank	6.75	82,317.34	7.07
Alaska Mutual Savings Bank	7.50	298,995.86	7.84
Alaska Mutual Savings Bank	8.00	89,511.06	7.92
Alaska Mutual Savings Bank	8.50	572,364.95	8.00
Alaska National Bank of Fairbanks	5.75	59,886.82	5.43
Alaska State Bank	5.25	214,795.17	5.19
Alaska State Bank	6.00	310,715.43	5.94
Alaska State Bank	7.00	182,273.06	7.47
Alaska State Bank	7.50	67,863.27	7.30
Alaska State Bank	8.50	177,871.54	8.76
Alaska State Bank	8.50	95,844.39	7.30
First National Bank of Anchorage	5.25	111,463.07	4.88
First National Bank of Anchorage	5.50	17,738.62	5.18
First National Bank of Anchorage	5.75	170,686.36	5.01
First National Bank of Anchorage	7.50	981,155.38	8.03
First National Bank of Anchorage	8.50	844,475.76	8.53
First National Bank of Anchorage	8.50	272,817.82	9.05
First National Bank of Ketchikan	5.25	27,291.64	5.12
National Bank of Alaska, Anchorage	5.25	17,591.48	5.30
National Bank of Alaska, Anchorage	6.00	59,443.75	6.12
National Bank of Alaska, Anchorage	7.00	1,840,208.17	7.30
National Bank of Alaska, Anchorage	7.50	67,073.09	7.19
National Bank of Alaska, Anchorage	8.00	47,012.54	7.15
Peoples Bank & Trust	7.50	27,826.51	7.50
Rainier Mortgage Company	5.25	89,427.14	5.21
Rainier Mortgage Company	6.00	126,024.29	5.94
Rainier Mortgage Company	7.50	275,527.21	7.55
Rainier Mortgage Company	8.50	308,301.38	8.64

Total FHA mortgages		\$7,710,779.48	

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS HELD (CONTINUED)
JUNE 30, 1978

	<u>Interest Rate</u>	<u>Cost</u>	<u>Net Yield</u>
REAL ESTATE MORTGAGES AND SBA LOANS (CONTINUED):			
<u>Small Business Loans Serviced By-</u>			
Alaska National Bank	8.00	\$ 40,965.36	7.50
Alaska National Bank	9.00	39,380.61	8.50
B M Behrends Bank	10.00	275,432.18	9.50
National Bank of Alaska, Anchorage	8.00	1,554,531.49	7.50
National Bank of Alaska, Anchorage	8.50	26,726.68	8.00
National Bank of Alaska, Anchorage	8.75	304,074.79	8.25
National Bank of Alaska, Anchorage	9.00	42,094.21	8.50
National Bank of Alaska, Anchorage	9.25	1,342,281.74	8.75
National Bank of Alaska, Anchorage	9.50	31,559.80	9.00
National Bank of Alaska, Anchorage	9.75	83,260.75	9.25
National Bank of Alaska, Anchorage	10.50	278,677.47	10.00
National Bank of Alaska, Anchorage	11.50	140,022.69	11.00

Total small business administration loans		\$4,159,007.77	

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD (CONTINUED)

JUNE 30, 1978

	<u>Interest Rate</u>	<u>Cost</u>	<u>Net Yield</u>
REAL ESTATE MORTGAGES AND SBA LOANS			
(CONTINUED):			
Conventional/Residential			
Mortgages Serviced By -			
Alaska Bank of Commerce	9.500	\$ 1,672,065.67	9.19
Alaska Bank of Commerce	9.625	1,366,252.09	9.30
Alaska Bank of Commerce	9.750	423,469.64	9.56
Alaska Bank of Commerce	9.750	1,446,765.29	9.44
Alaska Bank of Commerce	10.000	1,039,943.59	9.81
Alaska Bank of Commerce	10.000	1,660,168.95	9.69
Alaska Bank of Commerce	10.250	796,568.91	10.06
Alaska Bank of Commerce	10.500	156,252.48	10.19
Alaska Bank of Commerce	10.500	1,295,768.22	10.31
Alaska Bank of Commerce	11.000	415,503.59	10.81
Alaska Bank of Commerce	11.250	211,471.47	11.06
Alaska Bank of Commerce	11.250	235,365.94	10.63
Alaska Bank of Commerce	9.500	244,112.40	9.19
Alaska Bank of Commerce	9.625	39,968.41	9.31
Alaska Bank of Commerce	10.000	366,427.15	9.69
Alaska Bank of Commerce	10.500	1,195,725.86	10.44
Alaska Bank of Commerce	10.500	1,806,968.36	10.31
Alaska Bank of Commerce	10.500	212,880.83	10.19
Alaska Bank of Commerce	10.625	254,250.00	10.56
Alaska Bank of Commerce	10.750	484,890.77	10.56
Alaska Bank of Commerce	11.000	443,675.24	10.81
Alaska Bank of Commerce	10.500	1,414,134.56	10.44
Alaska Federal Savings & Loan	10.500	996,804.10	10.44
Alaska Mutual Savings Bank	9.125	62,957.64	8.81
Alaska Mutual Savings Bank	9.250	146,245.95	8.94
Alaska Mutual Savings Bank	9.500	351,488.88	9.19
Alaska Mutual Savings Bank	9.625	1,383,761.42	9.31
Alaska Mutual Savings Bank	10.750	83,371.09	10.44
Alaska Mutual Savings Bank	9.500	59,299.38	9.19
Alaska Mutual Savings Bank	9.625	1,170,125.65	9.31
Alaska Mutual Savings Bank	9.750	65,277.60	9.44
Alaska Mutual Savings Bank	10.000	79,096.46	9.69
Alaska Mutual Savings Bank	10.250	113,554.64	10.06
Alaska Mutual Savings Bank	10.250	382,377.65	10.19
Alaska Mutual Savings Bank	10.375	777,353.05	10.31
Alaska Mutual Savings Bank	10.500	298,164.32	10.31
Alaska Mutual Savings Bank	10.500	45,402.06	10.19
Alaska Mutual Savings Bank	10.750	66,210.74	10.44
Alaska Mutual Savings Bank	11.000	548,307.02	10.10
Alaska Mutual Savings Bank	12.000	66,053.78	11.71
Alaska Mutual Savings Bank	10.500	667,399.74	10.07

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS HELD (CONTINUED)
JUNE 30, 1978

	<u>Interest Rate</u>	<u>Cost</u>	<u>Net Yield</u>
REAL ESTATE MORTGAGES AND SBA LOANS			
(CONTINUED):			
Conventional/Residential			
Mortgages Serviced By			
(Continued)-			
Alaska Mutual Savings Bank	10.500	\$ 496,400.98	10.31
Alaska National Bank of Fairbanks	10.500	241,942.87	10.50
Alaska National Bank of Fairbanks	12.000	408,066.82	12.00
Alaska National Bank of Fairbanks	10.500	248,687.30	10.31
Alaska National Bank of Fairbanks	11.000	487,500.00	10.81
Alaska National Bank of Fairbanks	10.500	492,774.64	10.31
Alaska National Bank of Fairbanks	12.000	1,390,489.03	12.00
Alaska National Bank of Fairbanks	10.500	750,000.00	10.50
Alaska State Bank	11.000	551,432.64	10.69
AMFAC Mortgage Company	10.625	396,959.34	10.60
AMFAC Mortgage Company	10.500	1,112,528.62	10.31
Arctic First Federal Savings & Loan	9.750	126,692.92	9.44
Arctic First Federal Savings & Loan	10.750	63,470.40	10.44
Arctic First Federal Savings & Loan	10.500	988,497.71	10.31
B M Behrends Bank	9.500	191,979.84	9.19
B M Behrends Bank	9.500	455,802.23	9.31
B M Behrends Bank	9.750	61,623.10	9.44
B M Behrends Bank	10.000	228,398.29	9.69
B M Behrends Bank	10.750	16,603.23	10.44
B M Behrends Bank	10.000	160,166.20	9.81
B M Behrends Bank	10.500	121,900.32	10.31
B M Behrends Bank	10.500	518,293.97	10.44
B M Behrends Bank	11.000	451,047.49	10.82
First National Bank of Anchorage	10.750	1,039,497.71	10.65
Home Federal Savings & Loan	10.250	542,960.13	10.19

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENTS HELD (CONTINUED)

JUNE 30, 1978

	<u>Interest Rate</u>	<u>Cost</u>	<u>Net Yield</u>
REAL ESTATE MORTGAGES AND SBA LOANS			
(CONTINUED):			
Conventional/Residential			
Mortgages Serviced By			
(Continued)-			
Mt. McKinley Mutual Savings Bank	9.250	\$ 58,229.63	8.94
Mt. McKinley Mutual Savings Bank	9.750	503,626.31	9.44
Mt. McKinley Mutual Savings Bank	10.000	118,566.98	9.69
Mt. McKinley Mutual Savings Bank	10.750	38,246.80	10.44
Mt. McKinley Mutual Savings Bank	10.500	450,000.00	10.44
Mt. McKinley Mutual Savings Bank	10.625	517,500.00	10.56
Mt. Mckinley Mutual Savings Bank	10.250	177,023.55	10.06
National Bank of Alaska	9.250	215,306.82	8.94
National Bank of Alaska	9.375	72,502.14	9.57
National Bank of Alaska	9.375	2,278,536.66	9.06
National Bank of Alaska	9.500	2,999,942.40	9.19
National Bank of Alaska	9.625	1,724,643.73	9.31
National Bank of Alaska	9.750	118,656.97	9.56
National Bank of Alaska	9.750	1,702,840.07	9.44
National Bank of Alaska	9.800	59,393.49	9.49
National Bank of Alaska	9.875	1,168,266.70	9.56
National Bank of Alaska	10.000	980,245.75	9.81
National Bank of Alaska	10.000	789,819.48	9.69
National Bank of Alaska	10.250	199,090.78	9.94
National Bank of Alaska	10.500	122,906.77	10.31
National Bank of Alaska	10.750	288,237.66	10.44
National Bank of Alaska	9.750	259,855.97	9.56
National Bank of Alaska	10.250	1,342,165.78	10.06
National Bank of Alaska	10.375	500,893.81	10.19
National Bank of Alaska	10.500	923,207.08	10.31
National Bank of Alaska	10.750	913,005.39	10.56
National Bank of Alaska	10.500	745,193.02	10.44
National Bank of Alaska	10.500	589,794.51	10.44
National Bank of Alaska	10.500	227,502.93	10.31
National Bank of Alaska	10.500	1,125,000.00	10.34

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS HELD (CONTINUED)
JUNE 30, 1978

REAL ESTATE MORTGAGES AND SBA LOANS (CONTINUED): Conventional/Residential Mortgages Serviced By (Continued)-	Interest Rate	Cost	Net Yield
Peoples Bank & Trust Company	9.375	\$ 52,135.69	9.06
Peoples Bank & Trust Company	9.500	1,229,741.55	9.19
Peoples Bank & Trust Company	9.625	981,206.54	9.31
Peoples Bank & Trust Company	9.750	261,516.95	9.56
Peoples Bank & Trust Company	9.750	458,013.35	9.44
Peoples Bank & Trust Company	10.000	212,316.14	9.81
Peoples Bank & Trust Company	10.000	223,789.54	9.69
Peoples Bank & Trust Company	10.250	224,217.23	10.06
Peoples Bank & Trust Company	10.250	138,446.36	9.94
Peoples Bank & Trust Company	10.500	157,095.10	10.19
Peoples Bank & Trust Company	9.125	52,398.93	8.81
Peoples Bank & Trust Company	9.750	68,014.93	9.44
Peoples Bank & Trust Company	10.250	80,442.75	9.94
Peoples Bank & Trust Company	10.500	332,486.30	10.31
Peoples Bank & Trust Company	10.750	133,237.44	10.56
Peoples Bank & Trust Company	11.000	139,927.17	10.82
Peoples Mortgage Company	10.500	213,360.40	10.31
Peoples Mortgage Company	10.250	665,117.16	10.19
United Bank of Alaska	9.375	908,313.98	9.06
United Bank of Alaska	9.500	126,855.73	9.31
United Bank of Alaska	9.500	2,293,813.55	9.19
United Bank of Alaska	9.625	2,680,482.37	9.31
United Bank of Alaska	9.750	49,404.80	9.44
United Bank of Alaska	10.000	648,596.87	9.81
United Bank of Alaska	10.000	713,415.85	9.69
United Bank of Alaska	10.250	51,506.81	9.84
United Bank of Alaska	10.500	103,474.59	10.31
United Bank of Alaska	10.500	495,642.88	10.44
United Bank of Alaska	10.500	152,410.20	10.31
United Bank of Alaska	10.500	170,246.38	10.19
United Bank of Alaska	11.000	575,377.50	10.81
United Bank of Alaska	11.000	89,466.77	10.81
United Bank of Alaska	12.000	81,900.00	11.81
United Bank of Alaska	11.000	161,939.29	10.81

Total conventional residential		\$72,226,108.65	

Total mortgages and small business administration loans		\$84,095,895.90	
=====			

STATE OF ALASKA
TEACHERS' RETIREMENT FUND
Comparative Statement of Operations

	Fiscal Year Ended	
	June 30, 1978	June 30, 1977
Beginning Equities and Reserves	\$177,345,467	\$137,623,382
Additions:		
Employees' Contributions:		
Mandatory	\$ 13,688,498	\$ 10,599,596
Reinstatement	97,909	101,170
Arrearage	950,664	806,899
Retroactive	74,128	87,994
Supplemental	653,790	511,297
Retirement Option Payback	45,494	55,927
Total Employees' Contributions	<u>\$ 15,510,483</u>	<u>\$ 12,162,883</u>
Employers' Contributions	10,458,863	11,701,480
State Contributions - Matching	9,333,986	12,328,750
Net Investment Income 1)	16,051,252	13,583,578
Interest Earned on Employees' Indebtedness	<u>633,939</u>	<u>460,346</u>
Total Additions	<u>\$ 51,988,523</u>	<u>\$ 50,237,037</u>
Total Equities, Reserves and Additions	<u>\$229,333,990</u>	<u>\$187,860,419</u>
Deductions:		
Administrative Expenses:		
Personal Services	\$ 251,040	\$ 236,369
Travel	9,274	12,679
Contractual Services	113,171	73,846
Commodities	1,689	2,301
Equipment	1,400	1,607
Inter-Agency Service	241,900	166,900
Total Administrative Expenses	<u>618,474</u>	<u>493,702</u>
Employees' Contributions and Interest Refunded	2,319,376	1,859,829
Retirement Benefits Paid	<u>11,025,589</u>	<u>8,161,421</u>
Total Deductions	<u>\$ 13,963,439</u>	<u>10,514,952</u>
Ending Equities & Reserves	<u>\$215,370,551</u>	<u>\$177,345,467</u>

STATE OF ALASKA
TEACHERS' RETIREMENT SYSTEM
FOOTNOTES TO COMPARATIVE STATEMENT OF OPERATIONS
June 30, 1978

- 1) Schedule of Net Investment Income for Fiscal Year ended
June 30, 1978.

Interest Income	\$15,170,408
Gain/(Loss) on Sale of Securities	<u>880,844</u>
Total Net Investment Income	<u><u>\$16,051,252</u></u>

Benefit Services / Consulting Actuaries

October 12, 1978

Mr. B. B. Allen
Commissioner of Administration
State of Alaska
Department of Administration
Pouch CR
Juneau, Alaska 99811

Actuarial Status -
Alaska Teachers' Retirement System

Dear Commissioner Allen:

This is a brief statement to outline the actuarial status of the Alaska Teachers' Retirement System. The actuarial valuation which we perform each year has the following objectives:

- (1) To examine the status of funding of the System.
- (2) To develop contribution rates for each participating employer in the System which are adequate to support the benefits of the System.

The actuarial valuation of the Alaska Teachers' Retirement System as of June 30, 1978 is based upon the actuarial assumptions and methods which were adopted by the Retirement Board in March, 1978. The more significant results are as follows:

Contribution Rates

Contribution rates as a percent of earnings have increased, primarily due to legislation and the PRPA's which were recently granted. The following table summarizes these rates:

	--- Valuation Date ---	
	<u>6-30-77</u>	<u>6-30-78</u>
(1) Normal Cost Rate	10.08%	10.79%
(2) Past Service Rate	<u>3.74%</u>	<u>3.72%</u>
(3) Total Contribution Rate	13.82%	14.51%

William M. Mercer, Incorporated

Mr. B. B. Allen
Page Two
October 12, 1978

Funding Progress

One of the best measures of a pension plan's funding progress is the growth of assets relative to the present value of accrued benefits. Assets grew more rapidly than liabilities during 1977-78, more than offsetting increased accrued liabilities from legislation. The slight growth in the Accrued Benefit funding ratio is a healthy sign that the System is being funded satisfactorily.

	--- Valuation Date ---	
	<u>6-30-77</u>	<u>6-30-78</u>
(1) Valuation Assets	\$182,062,858	\$219,225,684
(2) Present Value of Accrued Benefits	\$287,440,408	\$327,659,821
(3) Accrued Benefit Funding Ratio	63.3%	66.9%

A more complete analysis appears in the actuarial valuation report. In summary, it is our opinion that the funding progress of the System is satisfactory and the contribution levels are sufficient to support the benefits of the System.

Sincerely,

Robert F. Richardson

Robert F. Richardson, MAAA
Vice President

RFR:jn

1.4 ACTUARIAL METHOD AND ASSUMPTIONS

Valuation of Liabilities

- A. Actuarial Method - Attained Age Normal, also known as Aggregate Method with Supplemental Liability. The unfunded accrued benefit liability is amortized over 40 years.
- B. Actuarial Assumptions -
- | | |
|-------------------------|---|
| 1. Interest | 6% per year, compounded annually, net of investment expenses. |
| 2. Salary Scale | 6% per year until age 39 and 5% per year for ages 40 and up. |
| 3. Mortality | 1971 Group Annuity Mortality Table. |
| 4. Turnover | Based upon the 1976-77 actual total turnover experience. (See Table 1). |
| 5. Disability | Incidence rates in accordance with Table 2. Post-disability mortality in accordance with rates published by the Pension Benefit Guaranty Corporation to reflect mortality of those receiving disability benefits under Social Security. |
| 6. Retirement Age | The average of age 60 and the earliest age for which unreduced retirement benefits will be available. |
| 7. Contribution Refunds | 85% of those terminating before age 50 with 8 to 12 years of service will leave their contributions and thereby retain their deferred vested benefit. All others who terminate after becoming vested are assumed to keep their contributions in the System. |
| 8. C.O.L.A. | 49% of those receiving retirement benefits will be eligible for C.O.L.A. |
| 9. Sick Leave | 4.7 days of sick leave will be available for each year of service. |
| 10. Expenses | No loading for expenses. |

William M. Mercer, Incorporated

Valuation of Assets

Based upon the three-year average ratio between market and book values of the System's assets.

TABLE 1
TEACHERS' RETIREMENT SYSTEM
STATE OF ALASKA
EMPLOYEE TURNOVER RATES

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	.0600	.0600
21	.0582	.0607
22	.0563	.0614
23	.0537	.0623
24	.0511	.0669
25	.0485	.0715
26	.0456	.0761
27	.0432	.0809
28	.0448	.0888
29	.0464	.0967
30	.0480	.1046
31	.0496	.1125
32	.0510	.1204
33	.0562	.1200
34	.0614	.1195
35	.0666	.1190
36	.0718	.1195
37	.0769	.1181
38	.0791	.1109
39	.0813	.1037
40	.0835	.0965
41	.0857	.0893
42	.0880	.0823
43	.0882	.0800
44	.0884	.0777
45	.0886	.0754
46	.0888	.0731
47	.0889	.0714
48	.0890	.0707
49	.0880	.0700
50 and up	.0870	.0700

TABLE 2
TEACHERS' RETIREMENT SYSTEM
STATE OF ALASKA
DISABILITY RATES
ANNUAL RATES PER 1,000 EMPLOYEES

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	.70	45	1.62
21	.71	46	1.76
22	.72	47	1.91
23	.73	48	2.07
24	.74	49	2.23
25	.75	50	2.40
26	.76	51	2.60
27	.78	52	2.86
28	.80	53	3.18
29	.82	54	3.56
30	.84	55	4.00
31	.86	56	4.59
32	.88	57	5.34
33	.90	58	6.10
34	.93	59	7.20
35	.96	60	8.43
36	.99	61	9.75
37	1.03	62	11.30
38	1.07	63	13.05
39	1.11	64	14.90
40	1.15		
41	1.20		
42	1.27		
43	1.36		
44	1.48		

STATE OF ALASKA

TEACHERS' RETIREMENT FUND
Historical Data
Fiscal Years 1966 through 1978
(cents omitted)

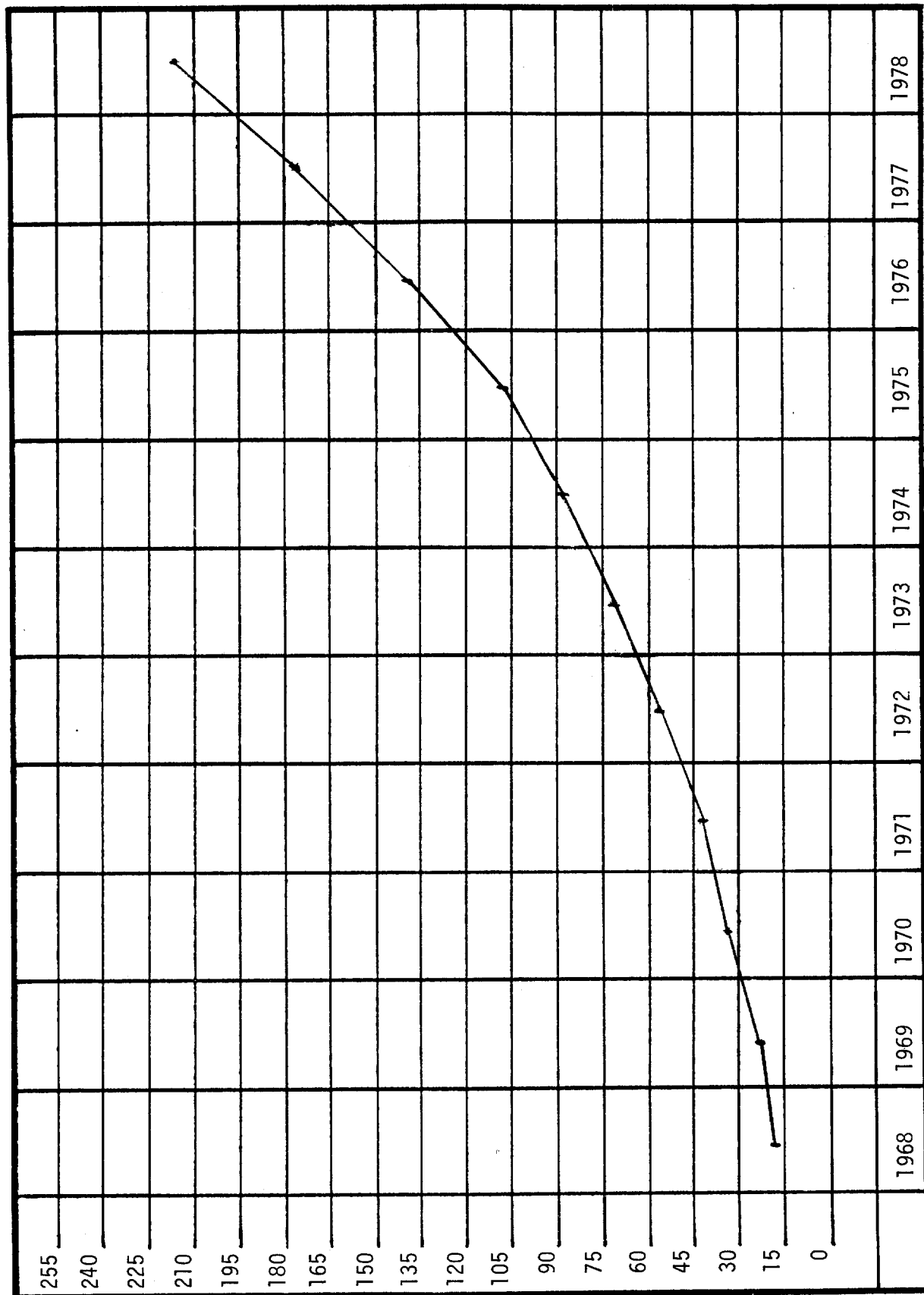
Fiscal Year	Assets Fiscal Year End	Employers' Contributions During Fiscal Year	Employees' Contributions During Fiscal Year	Benefits Paid Including Death Benefits	Employees' Contributions and Interest Refunded During Fiscal Year	Net Investment Income During Fiscal Year
1966	\$ 13,950,410	\$ 1,290,307	\$ 1,297,780	\$ 257,287	\$ 391,343	\$ 532,712
1967	17,703,808	1,791,537	2,050,955	298,082	438,256	702,305
1968	21,397,071	1,864,630	2,002,459	402,205	532,155	871,778
1969	26,198,453	1,983,226	2,853,414	592,162	638,713	1,222,182
1970	32,867,233	3,854,210	2,622,059	907,777	644,974	1,839,574
1971	44,985,043	6,408,602	5,284,693	1,057,714	641,652	2,199,640
1972	58,400,298	7,470,707	5,713,570	1,817,534	790,808	2,931,286
1973	73,979,377	9,543,907	6,820,652	2,493,491	1,312,958	3,181,537
1974	89,794,395	8,770,748	8,628,798	3,642,667	1,419,832	4,287,131
1975	105,797,313	11,526,213	9,147,206	4,574,494	1,896,431	1,844,773
1976	137,623,382	19,348,436	11,590,177	6,390,012	1,926,611	9,240,962
1977	177,345,467	24,030,230	12,162,883	8,161,421	1,859,829	13,583,578
1978	215,370,551	19,792,849	15,510,483	11,025,589	2,319,376	16,051,252

STATE OF ALASKA

TEACHERS' RETIREMENT FUND

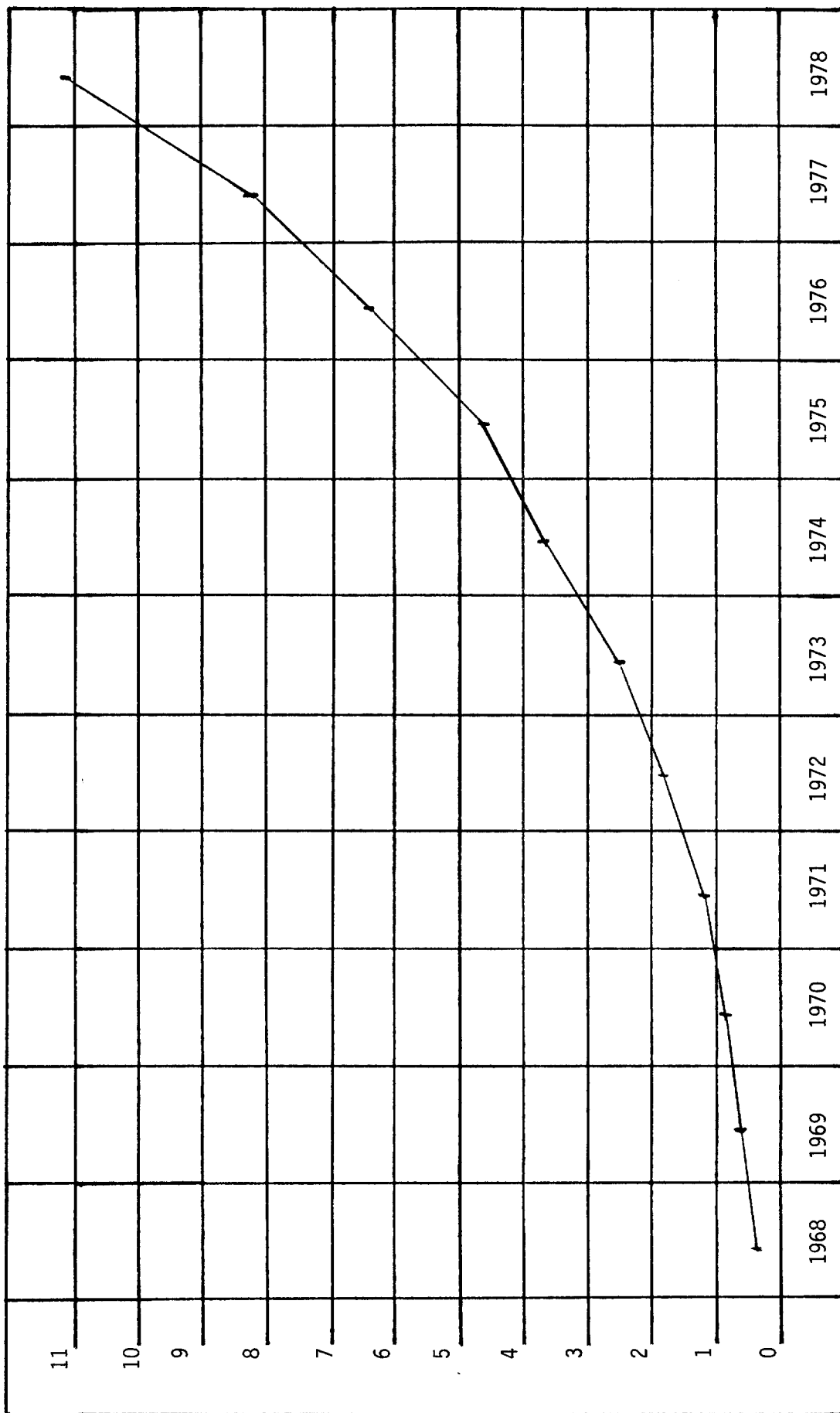
Total Assets

Fiscal Years 1968 through 1978



(Dollars in Millions)

TEACHERS' RETIREMENT FUND
Benefits Paid
Fiscal Years 1968 through 1978



(Dollars in Millions)

STATE OF ALASKA

TEACHERS' RETIREMENT FUND Employees' and Employers' Contributions Fiscal Years 1968 through 1978



STATE OF ALASKA
TEACHERS' RETIREMENT FUND
Employer Contribution Rates
For Fiscal Year 1978

<u>Employer</u>	<u>Percentage</u>
Adak Region School District	6.7
Alaska Central Railbelt Schools	-----same----- -----for----- -----all-----
Alaska Gateway Schools	
Alaska, University of	
Alaska, University of, Geophysical Institute	
Aleutian Region School District	
Anchorage School District	
Annette Island School District	
Bering Straits School District	
Bristol Bay Borough School District	
Bristol Bay Regional Resource Center	
Chatham School District	
Chugach Region School District	
Copper River School District	
Cordova School District	
Craig School District	
Delta-Greely School District	
Department of Education, State of Alaska	
Dillingham School District	
Fairbanks North Star Borough School District	
Galena City Schools	
Haines School District	
Hoonah City Schools	
Hydaburg School District	
Iditarod Area School District	
Juneau Borough School District	
Kake City Schools	
Kenai Peninsula Borough School District	
Ketchikan Gateway Borough School District	
King Cove City Schools	
Klawock City Schools	
Kodiak Island Borough School District	
Kuspuk School District	
Lake and Peninsula School District, The	
Lower Kuskokwim School District	
Lower Yukon School District	
Matanuska-Susitna Borough School District	
National Education Association	
Nenana School District	
Nome City Schools	
North Slope Borough School District	
Northwest Arctic School District	
Northwest Regional Resource Center	

STATE OF ALASKA
TEACHERS' RETIREMENT FUND
Employer Contribution Rates
For Fiscal Year 1978

Continued -

<u>Employer</u>	<u>Percentage</u>
Pelican School District	6.7
Petersburg City Schools	-
Pribilof Region School District	same
Sitka Borough School District, Greater	-----
Skagway City School District	for
Southeast Islands School District	-----
Southeastern Regional Resource Center	all
Southcentral Regional Resource Center	-----
Southwest Region School District	
St. Mary's School District	
Unalaska School District	
Valdez City Schools	
Wrangell Public Schools	
Yakutat School District	
Yukon Flats School District	
Yukon-Koyukuk School District	

